


**BELL CANADA
FINANCIAL STATEMENTS**

for the year ended December 31, 1991

**ANNUAL
REPORT
1991**



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**ANNUAL
REPORT
1991**

Sur demande, on peut
obtenir un exemplaire français
du rapport annuel 1991 de Bell Canada
en écrivant à l'adresse suivante:

Le vice-président et secrétaire de la société
1050, côte du Beaver Hall
Bureau 1420
Montréal (Québec)
Canada
H2Z 1S4

Bell Canada was incorporated by a special act of the Parliament of Canada in 1880 and continued under the Canada Business Corporations Act effective April 21, 1982. BCE Inc. (BCE), directly and through one of its subsidiaries, owns all the outstanding voting shares of Bell Canada.

Bell Canada is the largest Canadian supplier of telecommunications services and, as a telecommunications operating company, owns and operates a public switched network for voice, data and image communications in the provinces of Ontario and Québec and in the Northwest Territories.

Telecommunications services generate two major revenue streams, local and access services revenues and toll and network services revenues, which accounted for approximately 82% of Bell Canada's consolidated total operating revenues in 1991. Local and access services revenues are earned mainly by providing network access services (approximates lines in service) to business and residence customer markets. As at December 31, 1991, Bell Canada provided about 9 million network access services to its business and residence customers. These services account for about 93% of all such services provided by telephone companies in Ontario and Québec and about 58% of all such services provided by telephone companies in Canada. Local and access services revenues also include revenues from the provision of service options and features to residence and business customers. Toll and network services revenues from long distance telecommunications are derived from monopoly toll services which include basic message toll service (MTS) and alternative services for business customers, such as WATS* and 800 Service*; and from the provision of competitive network services such as private line voice services and business data services. Toll and network services revenues are derived from services originating and terminating within Bell Canada service territory (intra-Bell), and from services provided jointly with other telecommunications companies (settled). Most of the settled revenues are derived from an agreement with the members of Stentor Canadian Network Management (Stentor), a working association of nine major Canadian telephone companies, including Bell Canada, and Telesat Canada (Telesat). Prior to January 29, 1992, Stentor was named Telecom Canada. Bell Canada also derives revenues from the rental and sale of terminal equipment to the business and residence markets.

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Bell Canada is subject to the jurisdiction of the Canadian Radio-television and Telecommunications Commission in various respects including its rates, costing and accounting procedures. Bell Canada does not have exclusive franchises to furnish its regulated telecommunications services. However, no other company offers basic local and long distance public switched network telephone service in Bell Canada's service area (except for cellular telephone service).

Bell Canada owns a 100% interest in the Directory Business division of Tele-Direct (Publications) Inc. This division is engaged in the sale of telephone directory advertising representing approximately 64% of the Canadian market, and in the publishing of white pages and Yellow Pages* directories for Bell Canada.

In addition, Bell Canada has minority common equity interests in Telesat (24.2% owned), which is engaged in the provision of satellite communications services principally between locations within Canada, and in Bell-Northern Research Ltd. (30% owned), an industrial research and development organization.

* Trademark

FINANCIAL REVIEW*

OVERVIEW

The weak overall performance of the economy in 1991 continued to cause a softening demand for telecommunications services. Despite the weak economy, Bell Canada increased its total operating revenues and net income in 1991 compared to 1990.

	1991	1990	Increase	% Change	1990	1989	Increase	% Change
<i>Net Income</i>	\$986.0	\$965.7	\$20.3	2.1%	\$965.7	\$875.1	\$90.6	10.4%

Net income increased slightly in 1991 compared with 1990 mainly due to the combined effect of the increase in local and access services revenues and lower operating expenses partially offset by decreases in toll and network services revenues and in terminal, directory advertising and other revenues. Toll and network services revenues were affected by rate reductions implemented in the fourth quarter of 1990 and by the increased resale and sharing of private line services by the resellers. Continuing aggressive efforts by Bell Canada and its employees to control operating expenses resulted in a decrease in total operating expenses.

Net income increased in 1990 compared with 1989 due to a number of factors, including: (i) revenues generated by the moderating growth in demand in that year for telecommunications services, partially offset by the effect of toll rate reductions implemented in the fourth quarter of 1989, coupled with (ii) the full year effect of the amortization of excess deferred tax liability resulting from the Canadian Radio-television and Telecommunications Commission's (CRTC) July 17, 1989 decision which reduced income tax expense. Furthermore, efforts by Bell Canada and its employees to place considerable constraints on the growth of operating expenses, which increased by only 4.3 per cent in 1990 compared with 10.4 per cent in 1989, played a significant part in achieving the net income level of 1990.

Gross capital expenditures decreased by \$48 million in 1991 over 1990 to \$2,295 million. The decrease is mainly due to lower prices resulting from the replacement of the Federal Sales Tax by the Goods and Services Tax (GST) and lower demand. The company continued to invest in the modernization of its equipment.

The following sections provide a more detailed discussion of Bell Canada's results of operations and financial condition. It should be noted that in the 1991 financial statements and in the following discussion on revenues, a new presentation of revenues has been adopted. The major change is to regroup on the same line all revenues from terminals. Revenues from prior years have been reclassified accordingly.

* Dollars in the tables of this financial review are in millions.

RESULTS OF OPERATIONS

LOCAL AND ACCESS SERVICES REVENUES

	1991	1990	Increase	% Change	1990	1989	Increase	% Change
<i>Local and Access Services Revenues</i>	\$2,575.3	\$2,428.1	\$147.2	6.1%	\$2,428.1	\$2,259.4	\$168.7	7.5%
<i>Number of Network Access Services* (thousands)</i>								
<i>Business</i>	2,516.4	2,425.2	91.2	3.8%	2,425.2	2,299.6	125.6	5.5%
<i>Residence</i>	6,508.1	6,373.0	135.1	2.1%	6,373.0	6,204.0	169.0	2.7%
<i>Total</i>	9,024.5	8,798.2	226.3	2.6%	8,798.2	8,503.6	294.6	3.5%

*As at December 31

Local and access services revenues are earned mainly by providing network access services to business and residential customers and by providing additional service options and features. In 1991, revenue increases were driven primarily by the year over year growth in the number and value of network access services, representing \$72 million and by higher volumes of service options and features, representing \$51 million. The slower growth of network access services in 1991 compared to 1990 reflects the continuing economic weakness in 1991.

In 1990, revenue increases were driven primarily by the growth in the number of network access services representing \$90 million, and by higher volumes of service options and features, representing \$51 million. The growth in the number of network access services in 1990 had decreased from the previous year because of the economic climate. The rate of growth of business network access services continued to remain higher than in the residence sector, due to the increased penetration of new applications and uses.

TOLL AND NETWORK SERVICES REVENUES

	1991	1990	(Decrease) Increase	% Change	1990	1989	Increase	% Change
<i>Toll and Network Services Revenues</i>	\$3,738.4	\$3,778.9	\$(40.5)	(1.1)%	\$3,778.9	\$3,606.0	\$172.9	4.8%
<i>MTS Messages (millions)</i>	1,757.6	1,702.3	55.3	3.2%	1,702.3	1,586.5	115.8	7.3%

Toll and network services revenues are earned by providing monopoly toll services and competitive network services, both within Bell Canada territory and jointly with other telecommunications companies and organizations throughout Canada and the world. Toll and network services revenues decreased in 1991 compared with 1990. This reflects the effect of the current weak economic climate, increasing revenue losses due to resale and sharing of private line services by resellers as allowed by the CRTC in its March 1990 Decision and the long distance rate reductions implemented in the latter part of 1990 (\$70 million on an annual basis). The two main revenue streams, basic toll services and competitive network services, decreased by \$37 million and by \$3 million, respectively, in 1991 over the previous year. The number of message toll service (MTS) messages originating in Bell Canada's territory increased by only 3.2 per cent in 1991, the slowest pace since the recession in 1982.

TOLL AND NETWORK SERVICES REVENUES (continued)

In 1990, toll and network services revenues increased but at a slower pace than in the previous year, reflecting the effect of a weakening economy and toll rate reductions implemented in the latter parts of 1989 and 1990. Monopoly toll services revenues, which are derived mainly from MTS and WATS/800 Service, increased by \$148 million in 1990, while competitive network services revenues increased by \$25 million, mainly due to growth in business data and private line services. The number of MTS messages originating in Bell Canada's territory increased at a much slower pace than during the previous three years.

TERMINAL, DIRECTORY ADVERTISING AND OTHER REVENUES – NET

	1991	1990	Decrease	% Change	1990	1989	Increase	% Change
<i>Terminal, Directory Advertising and Other Revenues – Net</i>	\$1,415.3	\$1,447.7	\$(32.4)	(2.2)%	\$1,447.7	\$1,407.5	\$40.2	2.9%

The two main revenue streams in this category are from rental, sale and maintenance of terminal equipment and from directory advertising. Directory advertising revenues increased by only \$14 million (3.0 per cent) in 1991 well below the 1990 growth rate of 11.6 per cent, mainly due to volume decreases. Revenues from rental, sale and maintenance of terminal equipment decreased by \$49 million compared with 1990 reflecting the effects of a weak economy.

Directory advertising revenues increased in 1990 by \$51 million due to rate and volume increases while revenues from rental, sale and maintenance of terminal equipment decreased slightly by \$9 million, reflecting the distortion that the 1988 strike had on 1989 revenues. The decrease in revenues from rental, sale and maintenance of terminal equipment also reflected the diminishing potential to convert existing customers to sales-type leases, partially offset by the increasing number and value of outright sales as additional products are offered under this payment option.

Amounts not collectible, with respect to all revenue categories, are deducted from this revenue category and decreased by \$1 million to \$74 million in 1991 compared with 1990. This represents an improvement compared to the \$27 million increase in expense in 1990 over 1989.

OPERATING EXPENSES

	1991	1990	Decrease	% Change	1990	1989	Increase	% Change
<i>Operating Expenses</i>	\$5,555.7	\$5,610.5	\$(54.8)	(1.0)%	\$5,610.5	\$5,381.4	\$229.1	4.3%

Operating expenses decreased in 1991 compared with 1990 due to productivity gains and continued considerable emphasis placed by Bell Canada and its employees on containing expenses along with the effect of lower growth in demand for telecommunications services.

Operating expenses increased at a moderate pace in 1990 (4.3 per cent) compared with 1989 (10.4 per cent) reflecting the considerable emphasis placed by Bell Canada and its employees on controlling the growth of operating expenses.

	1991	1990	Increase	% Change	1990	1989	Increase	% Change
<i>Depreciation Expense</i>	\$1,478.3	\$1,413.6	\$64.7	4.6%	\$1,413.6	\$1,272.7	\$140.9	11.1%

In 1991 and 1990, depreciation expense increased due to higher average depreciable plant and equipment balances. The accumulated depreciation reserve ratio increased from 35.2 per cent as at December 31, 1990 to 35.5 per cent as at December 31, 1991. The increase in the reserve ratio is consistent with a tendency towards shorter service lives in plant assets as well as reduced rate of growth in total plant assets.

	1991	1990	Decrease	% Change	1990	1989	Increase	% Change
<i>Salaries and Wages</i>	\$2,071.4	\$2,075.9	\$(4.5)	(0.2)%	\$2,075.9	\$1,969.5	\$106.4	5.4%

Salaries and wages decreased slightly in 1991 over 1990 due to the inducements in the first quarters of 1990 and 1991 to employees to retire early, which resulted in a reduction of the workforce by about 1,300 and 1,600 employees, respectively. The decrease was partly offset by wage and salary increases to employees. The number of equivalent full time employees during 1991, of about 54,400, was 4.5 per cent lower than during the same period last year. Although the number of equivalent full time employees decreased during 1991, the number of network access services increased by 2.6 per cent. The number of employees per average 1000 network access services improved from 6.4 in 1990 to 5.9 in 1991.

Salaries and wages increased in 1990 due to annual increases to employees partially offset by a reduction in the number of equivalent full time employees mainly due to realignments of staff functions.

INTEREST CHARGES

	1991	1990	Increase	% Change	1990	1989	Increase	% Change
<i>Interest Charges</i>	\$544.5	\$517.0	\$27.5	5.3%	\$517.0	\$460.8	\$56.2	12.2%

Interest charges increased in 1991 and 1990, as a result of higher average long term debt outstanding and higher interest rates on new debt issues compared to the average cost of outstanding debt.

LIQUIDITY AND CAPITAL RESOURCES

	1991	1990	Decrease	% Change	1990	1989	Increase	% Change
<i>Gross Capital Expenditures</i>	\$2,295.2	\$2,343.4	\$(48.2)	(2.1)%	\$2,343.4	\$2,330.9	\$12.5	0.5%

Bell Canada's principal requirement for funds is to finance capital expenditures. Capital expenditures in 1991 and 1990 continued to be used in the expansion and modernization of Bell Canada's telephone plant, through investment in advanced digital and fibre optic technologies, with the objective of converting about 90 per cent of all telephone lines to digital technology by 1995. Gross capital expenditures decreased by 2.1 per cent in 1991. The decrease is due to lower prices resulting from the removal of the Federal Sales Tax and its replacement by the Goods and Services Tax (GST), a value added tax recoverable on business inputs and the current lower rate of growth in demand for services largely offset by advanced capital expenditures on the switching equipment modernization program.

	1991	1990	Decrease	% Change	1990	1989	Decrease	% Change
<i>Funds from External Sources</i>	\$760.0	\$1,050.0	\$(290.0)	(27.6)%	\$1,050.0	\$1,200.0	\$(150.0)	(12.5)%

In 1991, funds from external sources were obtained through the issue of \$100 million of common shares to the parent company, BCE, the private issue in Canada of \$135 million of preferred shares, the private issue in Canada of \$275 million of debentures, the issue of \$150 million of debentures in Europe and the sale of approximately \$100 million of accounts receivable.

In 1990, funds from external sources were obtained from the issue of \$300 million of common shares to BCE, the public issue in Canada of \$250 million of debentures, the private placement in Canada of \$125 million of preferred shares, the public issue of \$125 million of debentures in Europe and the sale of approximately \$250 million of accounts receivable.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Gross capital expenditures in 1992 are expected to decrease by approximately \$115 million (5.0 per cent) to \$2,180 million. The modest decrease in 1992 is primarily due to the reduction in funding of the switching equipment modernization program as a result of the advancement of \$72 million of capital expenditures to 1991, and to the lower growth in demand. Bell Canada's cash requirements in 1992 will be met by internally generated funds except for the repayment of long term debt, of which \$295 million will mature during the year (including the early redemption of Series DO Debentures for an amount of \$128 million which has been announced on February 20, 1992), and for a portion of capital expenditures. In addition to long term debt maturing during the year, on January 15, 1992, Bell Canada purchased from its parent company, BCE, all of the then outstanding \$2.25 Cumulative Redeemable Class A Preferred Shares Series 1. External funds requirements of approximately \$575 million are expected to be obtained by the offering of debt in the market as well as through the issue of additional common shares to BCE. The 1992 external financing program began on January 15, 1992, with the issuance of 3,822,244 common shares to BCE for a cash consideration of \$100 million.

OUTLOOK

As the year 1991 ended, signs of economic recovery were still weak. Bell Canada expects continued modest growth in demand for telecommunications services in 1992 due to the expected slow economic recovery, consistent with the general views of economists.

The prospects of a slow economic recovery will constrain toll and network services revenues growth through 1992. In addition, Bell Canada believes that it will experience increasing revenue losses to resellers in 1992, due to the resale and sharing of private line services in the Canadian market and to the direct access by resellers and other customers of Teleglobe Canada's overseas network through private lines, rather than through the facilities of the members of Stentor Canadian Network Management. A moderate increase in demand for local telecommunications services should continue to contribute to modest increases in local and access services revenues. Cost containment measures should constrain the growth of operating expenses in 1992. The CRTC decisions of September 1991 and February 1992 on the accounting treatment for application software should effect a reduction in 1992 operating expenses of approximately \$36 million. This reduction in operating expenses is expected to be reversed beginning in 1994.

The CRTC is expected to render its decision on long distance competition at the earliest in the second quarter of 1992.

As Bell Canada follows Canadian generally accepted accounting principles (GAAP), reference should be made to note 13 of Notes to Consolidated Financial Statements which reconciles the important differences between Canadian and United States GAAP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Bell Canada and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes the internal accounting controls provide assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit Committee, consisting of six members, five of whom are outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The internal and the Shareholders' auditors have free and independent access to the Audit Committee.

These financial statements have been audited by the Shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report follows.



R.A. Hamilton Harding, F.C.A.

Vice-President (Finance) and Chief Financial Officer

AUDITORS' REPORT

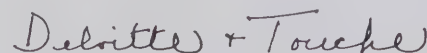
*To the Shareholders
of Bell Canada*

We have audited the consolidated balance sheets of Bell Canada and its subsidiaries as at December 31, 1991 and 1990 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1991. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1991 in accordance with Canadian generally accepted accounting principles.

Montréal (Québec) Canada
February 11, 1992



Deloitte & Touche
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

<i>For the years ended December 31</i>	(millions of dollars)		
	1991	1990	1989
Operating revenues			
Local and access services	\$2,575.3	\$2,428.1	\$2,259.4
Toll and network services	3,738.4	3,778.9	3,606.0
Terminal, directory advertising and other – net	1,415.3	1,447.7	1,407.5
Total operating revenues	7,729.0	7,654.7	7,272.9
Operating expenses	5,555.7	5,610.5	5,381.4
Net revenues	2,173.3	2,044.2	1,891.5
Other income	20.0	45.2	38.9
Interest charges	544.5	517.0	460.8
Income before income taxes	1,648.8	1,572.4	1,469.6
Income taxes (note 2)	662.8	606.7	594.5
Net income (note 13)	986.0	965.7	875.1
Dividends on preferred shares	73.6	67.0	61.4
Net income applicable to common shares	\$ 912.4	\$ 898.7	\$ 813.7

The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated statement of income are described and reconciled in note 13.

CONSOLIDATED STATEMENT
OF RETAINED EARNINGS

<i>For the years ended December 31</i>	(millions of dollars)		
	1991	1990	1989
Balance at beginning of year	\$2,319.7	\$2,128.7	\$1,969.7
Net income	986.0	965.7	875.1
	3,305.7	3,094.4	2,844.8
Deduct:			
Dividends			
Preferred shares	73.6	67.0	61.4
Common shares	733.1	706.5	651.0
	806.7	773.5	712.4
Expenses of issues of share capital	0.5	1.2	3.7
	807.2	774.7	716.1
Balance at end of year	\$2,498.5	\$2,319.7	\$2,128.7

CONSOLIDATED BALANCE SHEET

ASSETS		(millions of dollars)	
<i>As at December 31</i>		1991	1990
<i>Current assets</i>			
Cash and temporary cash investments – at cost (approximates market), including \$100.6 due from parent company at December 31, 1990		\$ 6.3	\$ 171.3
Accounts receivable (notes 4 and 10)		879.7	961.6
Prepaid expenses		112.6	117.8
Other		63.6	84.5
		1,062.2	1,335.2
<i>Property, plant and equipment – at cost (note 3)</i>			
Buildings, plant and equipment		23,286.2	21,899.7
Less: Accumulated depreciation		8,276.3	7,702.3
		15,009.9	14,197.4
Land		116.4	109.5
Plant under construction		506.5	444.7
Material and supplies		90.1	78.2
		15,722.9	14,829.8
<i>Other assets</i>			
Long term receivables (note 4 and 10)		182.2	245.8
Investments in associated companies – at equity (note 1)		98.5	91.3
Deferred charges			
– unrealized foreign currency losses, less amortization		6.6	16.2
– other		90.1	86.7
		377.4	440.0
<i>Total assets</i>		\$17,162.5	\$16,605.0

On behalf of the Board of Directors



W. Chippindale, Director



Roy F. Bennett, Director

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(millions of dollars)

As at December 31

1991 1990

Current liabilities

Accounts payable (note 10)	\$ 907.3	\$ 794.7
Advance billing and payments	139.3	143.2
Dividends payable – including \$188.1 (\$180.9 – 1990) due to parent company	192.7	185.6
Taxes accrued	76.8	161.9
Interest accrued	147.3	147.8
Debt due within one year (note 5)	191.4	193.7
	1,654.8	1,626.9

Long term debt (note 6)

5,325.5 5,070.4

Deferred credits

Income taxes (note 2)	1,913.2	2,043.4
Other	61.4	69.0
	1,974.6	2,112.4

Preferred shares (note 7)

Non-convertible (redeemable)	983.5	850.0
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Common shareholders' equity

Stated capital of common shares (note 8)	3,692.1	3,592.1
Premium on share capital (note 8)	1,033.5	1,033.5
Retained earnings	2,498.5	2,319.7
	7,224.1	6,945.3

*Commitments (note 3)**Total liabilities and shareholders' equity*

\$17,162.5 \$16,605.0



R. A. Hamilton Harding, F.C.A.

Vice-President (Finance)

and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

CASH PROVIDED FROM (USED FOR)

For the years ended December 31

(millions of dollars)

1991	1990	1989
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Operating activities

Net income	\$ 986.0	\$ 965.7	\$ 875.1
Items not affecting cash			
Depreciation	1,478.3	1,413.6	1,272.7
Deferred income taxes	(130.6)	7.1	117.7
Allowance for funds used during construction	(30.4)	(38.3)	(36.7)
Miscellaneous	(7.5)	(42.0)	(36.3)
Decrease (increase) in working capital (note 11)	138.2	233.9	(55.8)
Other items	(10.0)	17.5	3.4
	\$ 2,424.0	\$ 2,557.5	\$ 2,140.1

Financing activities

(Decrease) increase in notes payable and bank advances	\$ (9.4)	\$ 78.5	\$ (109.2)
Proceeds from long term debt	433.5	374.3	496.7
Issue of preferred shares	134.8	124.6	324.0
Issue of common shares	100.0	300.0	375.0
Redemption of preferred shares	—	(75.1)	(53.2)
Repurchase of preferred shares	—	—	(50.2)
Repayment of long term debt	(161.4)	(88.3)	(75.9)
Miscellaneous	(2.3)	(2.2)	(2.0)
	\$ 495.2	\$ 711.8	\$ 905.2

Investing activities

Capital expenditures – net	\$ (2,329.8)	\$ (2,343.7)	\$ (2,282.6)
Decrease in long term receivables	63.6	53.9	12.5
Acquisition of a subsidiary (including working capital deficiency acquired of \$1.7)	—	(6.2)	—
Miscellaneous	(11.3)	(5.7)	(7.6)
	\$ (2,277.5)	\$ (2,301.7)	\$ (2,277.7)

Dividends declared

\$ (806.7)	\$ (773.5)	\$ (712.4)
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Cash position

(Decrease) increase during the year	\$ (165.0)	\$ 194.1	\$ 55.2
At beginning of year	171.3	(22.8)	(78.0)
At end of year ⁽¹⁾	\$ 6.3	\$ 171.3	\$ (22.8)

(1) Represented by:

Temporary cash investments	\$ 45.9	\$ 225.3	\$ 81.5
Cheques outstanding in excess of bank balances	(39.6)	(54.0)	(104.3)
	\$ 6.3	\$ 171.3	\$ (22.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and unless otherwise indicated all amounts are in Canadian dollars. These statements conform in all material respects with International Accounting Standards. Certain previously reported amounts have been reclassified to conform with the current presentation.

With respect to the consolidated financial statements of Bell Canada, the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 13.

Bell Canada operates in a single industry segment which is telecommunications services. These services are provided principally in the provinces of Ontario and Québec and in the Northwest Territories. Bell Canada is subject to regulation, including examination of its accounting practices, by the Canadian Radio-television and Telecommunications Commission (CRTC). As used herein "Corporation" means Bell Canada, its subsidiaries, and the Directory Business division of Tele-Direct (Publications) Inc.

Consolidation

Tele-Direct (Publications) Inc. (TD Publications) which was prior to 1989 a wholly owned subsidiary, is a majority-owned subsidiary of BCE Inc. (BCE), the parent company of Bell Canada. Although Bell Canada does not have voting control, Bell Canada retains exclusive control over and the right to earnings of the directory business division; further, BCE ensures that the other business activities of TD Publications will not impair the payment of dividends from such earnings. The consolidated financial statements include the accounts of the Directory Business division of TD Publications since it would be misleading to exclude such results.

The associated companies (defined as 20 per cent to 50 per cent owned) of Bell Canada at December 31, 1991, were Telesat Canada and Bell-Northern Research Ltd. Investments in associated companies are accounted for by the equity method.

Application software

In September 1991, the CRTC directed Bell Canada to capitalize expenditures for application software purchased for (i) the initial installation of a switching machine (initial software) and (ii) subsequently installed application software (subsequent software) acquired after January 1, 1992 and to amortize these expenditures over a five-year period. Prior to the CRTC decision, Bell Canada's capitalization policy was to capitalize expenditures for initial software and to amortize these expenditures over the service life of the switching machine (approximately 22 years), and to expense subsequent software. In February 1992, the CRTC also decided that the embedded investment in initial software be amortized over a five-year period starting in January 1992.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Accounting policies (continued)**Depreciation*

Depreciation is computed on the straight-line method using rates based on the estimated useful lives of the assets, which rates are reviewed by the CRTC. When depreciable telecommunications property is retired, the amount at which it has been carried is charged to accumulated depreciation.

*Allowance for
funds
used during
construction*

Bell Canada's regulator requires it to provide for a return on total capital invested in new telephone plant while under construction. An allowance for funds used during construction is included as an item of income during the construction period and also as an addition to the cost of the plant constructed. Such income is currently not realized in cash but will be realized over the service life of the plant.

*Research and
development*

All research and development costs incurred are charged to income and are reduced by related tax incentives.

*Translation of
foreign currencies*

Current assets (excluding prepaid expenses), current liabilities and long term monetary assets and liabilities are translated at the rates in effect at the balance sheet date, whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Monetary items hedged against foreign exchange risks are converted into Canadian dollars at the rate of exchange established under the conditions of the relevant hedging agreements. Revenues and expenses are translated at average rates prevailing during the year except for depreciation and amortization which are translated at exchange rates prevailing when the related assets were acquired. Currency gains and losses are reflected in net income of the year except for unrealized foreign currency gains and losses on long term monetary assets and liabilities which are reported as deferred items and amortized over the remaining lives of the related items on a straight-line basis.

Leases

Where the Corporation is the lessor, rental revenue from operating leases is recognized as service is rendered to customers. For leases which qualify as sales-type leases, the sales revenue is recognized at the inception of the lease at the equivalent tariff rate.

Where the Corporation is the lessee, assets recorded under capital leases are amortized on a straight-line method using rates based on the estimated useful life of the asset or based on the lease term, as appropriate. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

1. Accounting policies (continued)***Income taxes***

The Corporation uses the tax allocation basis of accounting for income taxes. The provision for income taxes is based on income as reported in the income statement regardless of when such income is subject to tax. The difference between taxes payable and taxes accrued is accounted for under Deferred credits – Income taxes.

In July 1989, the CRTC directed that the Deferred credits – Income taxes of Bell Canada be adjusted to reflect the reduced combined statutory corporate income tax rate in effect on January 1, 1989 and that the resulting adjustment (\$290 million) be amortized as a reduction to income tax expense over a five-year period commencing in October 1989. The unamortized tax adjustment remains in Deferred credits – Income taxes.

Adjustments to the Deferred credits – Income taxes, resulting from subsequent minor changes to income tax rates, are taken into income in the year in which the changes occur. A longer amortization period will be considered by the CRTC if any subsequent adjustment to the Deferred credits – Income taxes has a significant impact on Bell Canada's rate of return on equity.

Pensions and other retirement benefits

The Corporation maintains defined benefit pension plans which cover substantially all of its employees. The plans provide pensions to retired employees based on years of service and average earnings at retirement. These plans are non-contributory, with the Corporation responsible for contributions to adequately fund the plans. A valuation is performed each year to determine the actuarial present value of the accrued pension benefits. Pension plan assets are valued at market related value adjusted over five years.

The Corporation also provides certain health care and life insurance benefits for employees on retirement. The cost of these benefits, excluding life insurance, is recorded in operating expenses as incurred. Life insurance for retired employees is largely funded during their working lives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Income taxes

A reconciliation of the combined statutory federal and provincial income tax rate in Canada to the effective income tax rate is as follows:

<i>Year ended December 31</i>	1991	1990	1989
Combined statutory income tax rate	41.2%	41.2%	41.1%
(i) Income from investment in associated companies included in net income	(0.1)	(0.2)	(0.1)
(ii) Allowance for funds used during construction, net of applicable depreciation adjustment	(0.1)	(0.3)	(0.4)
(iii) Amortization of unrealized foreign currency (gains) losses	(0.1)	—	(0.1)
(iv) Tax on large corporations	1.2	1.0	0.6
(v) Amortization of deferred tax adjustment	(3.5)	(3.7)	(1.0)
(vi) Other	1.6	0.6	0.4
Effective income tax rate	40.2%	38.6%	40.5%

Details of the Corporation's income taxes are as follows:

<i>Year ended December 31</i>	(millions of dollars)		
	1991	1990	1989
Income taxes			
Current	\$698.1	\$599.6	\$476.8
Deferred (net of amortized deferred tax adjustment of \$58.0 – 1991, \$58.0 – 1990 and \$14.5 – 1989)	(35.3)	7.1	117.7
Total income taxes	\$662.8	\$606.7	\$594.5

The deferred income taxes result principally from deductions for tax purposes, in respect of buildings, plant and equipment, in excess of amounts charged to operations.

Deferred credits – Income taxes on the consolidated balance sheet as at December 31, 1991, includes the unamortized deferred tax adjustment in the amount of \$159.5 million (\$217.5 – 1990).

3. Lease obligations

Property, plant and equipment includes property recorded under capital leases net of accumulated depreciation in the amount of \$22.0 million as at December 31, 1991 (\$24.0 – 1990). The future minimum lease payments under capital leases net of estimated executory costs and imputed interest, as at December 31, 1991 are \$24.8 million.

The future minimum lease payments under operating leases that have initial non-cancellable lease terms in excess of one year as of December 31, 1991, amount to \$348.7 million.

Rental expense applicable to all operating leases for the year 1991 was \$159.0 million (\$157.9 – 1990, \$142.5 – 1989).

4. Lease receivables

The net receivables from equipment contracts considered as sales-type leases comprise both long term receivables of \$182.1 million (\$244.1 – 1990) and current receivables of \$117.4 million (\$136.0 – 1990) included in current assets.

At December 31, 1991, the amounts receivable under sales-type leases by the Corporation were as follows:

	(millions of dollars)
1992	\$144.5
1993	105.0
1994	65.0
1995	33.6
1996	13.6
Thereafter	4.7
	366.4
Less: Unearned income	66.9
Total net receivables	\$299.5

In 1991, operating revenues include \$46.0 million of finance income related to these contracts (\$56.9 – 1990, \$62.2 – 1989).

5. Debt due within one year

The Corporation's debt due within one year consists of the following:

	(millions of dollars)	
<i>As at December 31</i>	1991	1990
Long term debt – current portion	\$122.3	\$115.2
Notes payable (including \$2.0 due to parent and affiliated companies, \$4.7 – 1990)	64.1	69.6
Bank advances	5.0	8.9
Total	\$191.4	\$193.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Long term debt

The Corporation's long term debt consists of the following:

(millions of dollars)

Total outstanding December 31					1991	1990
Rate of interest	4.85-7%	8-9%	10-12.65%	13%-17.10%		
First mortgage bonds (a)						
Due 1991	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 58.5
1992	45.0	67.0	—	—	112.0	112.0
1993 (b)	—	94.0	—	—	94.0	129.0
1994	4.6	117.0	1.0	—	122.6	122.7
1995	94.8	17.0	—	—	111.8	112.2
1996	47.4	17.0	70.0	—	134.4	142.8
1997-2004	174.5	282.2	—	—	456.7	461.3
	366.3	594.2	71.0	—	1,031.5	1,138.5
Debentures and notes (c)						
Due 1991	—	—	—	—	—	50.0
1993	84.9	—	—	—	84.9	90.9
1994	—	—	—	112.1	112.1	112.1
1995	—	—	125.0	—	125.0	125.0
1996	—	250.0	—	—	250.0	100.0
1997-2006	—	731.1	1,175.0	125.0	2,031.1	2,032.0
2007-2041	—	481.2	1,050.0	231.1	1,762.3	1,489.1
	\$84.9	\$1,462.3	\$2,350.0	\$468.2	4,365.4	3,999.1
Other (d)					50.9	48.0
Sub-total					5,447.8	5,185.6
Less: due within one year					122.3	115.2
Total					\$5,325.5	\$5,070.4

(a) The first mortgage bonds of Bell Canada are secured by a first mortgage and a floating charge.

First mortgage bonds include U.S. \$408 million maturing from 1994 to 2004.

(b) i) In 1991, Bell Canada redeemed, prior to maturity, all of its \$35 million principal amount of

First Mortgage 9% Bonds, Series AS, Due 1993, at par plus accrued interest.

ii) In January 1992, Bell Canada elected to redeem on February 17, 1992, all of its \$42 million

principal amount of First Mortgage 8% Bonds, Series AY, Due 1993, at par plus accrued interest.

(c) Debentures and notes include U.S. \$600 million maturing from 2006 to 2010; 100 million Swiss Francs maturing in 1993; and 195 million New Zealand dollar notes maturing in 1994 which are fully hedged by means of foreign exchange contracts maturing May 5, 1992 to November 5, 1994 totalling \$171.5 million to purchase \$295.2 million in New Zealand dollars to meet interest payments and the payment of the principal amount at maturity.

(d) "Other" includes \$24.8 million in obligations under capital leases and U.S. \$12.6 million for a mortgage due in installments to 1995.

At December 31, 1991, the estimated amounts of long term debt payable by the Corporation in the years 1992 to 1996 are \$122.3, \$190.5, \$246.8, \$240.8 and \$385.5 million, respectively.

7. Preferred shares

Authorized

The articles of incorporation of Bell Canada provide for an unlimited number of Class A preferred shares. The articles authorize the directors of Bell Canada to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto, prior to their issue.

(dollars in millions)

<i>Outstanding</i>	December 31, 1991		December 31, 1990	
	Number of shares	Stated capital	Number of shares	Stated capital
Class A preferred shares (a)				
Non-convertible preferred shares				
Series 1	782,000	\$ 23.5	833,000	\$ 25.0
Series 8 (retractable) (b)	6,000,000	150.0	6,000,000	150.0
Series 9 (retractable) (c)	5,000,000	125.0	5,000,000	125.0
Series 10 (retractable) (d)	4,000,000	100.0	4,000,000	100.0
Series 11 (e)	300	150.0	300	150.0
Series 12 (e)	350	175.0	350	175.0
Series 13 (e)	250	125.0	250	125.0
Series 14 (e)	270	135.0	—	—
Aggregate stated capital of outstanding preferred shares		\$983.5		\$850.0

(a) All preferred shares are non-voting and redeemable at Bell Canada's option.

On January 15, 1992, Bell Canada purchased for cancellation from its parent company, BCE, all of the then outstanding Class A Preferred Shares Series 1.

The holders of Cumulative Redeemable Retractable Class A Preferred Shares Series 8 and 9 are entitled to fixed cumulative annual dividends at the rate of \$1.94 and \$1.875 per share, respectively. The holders of the Cumulative Redeemable Retractable Reset Class A Preferred Shares Series 10 are entitled to fixed cumulative annual dividends of \$1.86 per share until August 15, 1994; the dividend rate may be reset thereafter pursuant to the terms and conditions of this issue, which rate at no time will be less than \$1.86 per share.

The holders of Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11, 12, 13 and 14 are entitled to an annual cumulative dividend rate of 7.64 per cent, 7.95 per cent, 7.94 per cent and 7.70 per cent of the stated capital of such shares, respectively, until March 30, 1994, October 30, 1994, September 30, 1995 and September 30, 1996, respectively, at which time the dividend rate will be reset. Thereafter, the dividend rate of the series 11, 12, 13 and 14 preferred shares may be reset from time to time pursuant to the terms and conditions of each series.

(b) The series 8 preferred shares are redeemable on December 1, 1996, at \$26 per share to December 1, 1997, and at reducing amounts thereafter to \$25 after December 1, 2000. The series 8 preferred shares are retractable at the option of the holders on December 1, 2001, at a price of \$25 per share.

(c) The series 9 preferred shares are redeemable on June 15, 1995, at \$26 per share to June 15, 1996, and at reducing amounts thereafter to \$25 after June 15, 1999. The series 9 preferred shares are retractable at the option of the holders on June 15, 1999, at a price of \$25 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. *Preferred shares*
(continued)

(d) The series 10 preferred shares are not redeemable prior to August 15, 2000. However, Bell Canada shall have the right to redeem all the series 10 preferred shares at \$25 per share in the event that on August 15, 1994, the annual dividend rate, as then reset, is greater than \$2.10 per share (or 8.40% of the stated capital of such shares). On or after August 15, 2000, the series 10 preferred shares are redeemable at \$25 per share. The series 10 preferred shares are retractable at the option of the holders on August 15, 2000, at a price of \$25 per share.

(e) The series 11, 12, 13 and 14 preferred shares are redeemable at \$500,000 per share any time on or after March 30, 1994, October 31, 1994, September 30, 1995 and September 30, 1996, respectively. The series 11, 12, 13 and 14 preferred shares are not retractable at the option of the holders.

During the three year period ended December 31, 1991, Bell Canada issued for cash: 300 Class A preferred shares, series 11, on March 2, 1989 and 350 Class A preferred shares, series 12, on March 29, 1989; 250 Class A preferred shares, series 13, on March 8, 1990; 120 and 150 Class A preferred shares, series 14, on March 15 and July 2, 1991, respectively.

8. *Common shares*
Authorized

The articles of incorporation of Bell Canada provide for an unlimited number of common shares.
(dollars in millions)

	December 31, 1991		December 31, 1990	
	Number of shares	Stated capital	Number of shares	Stated capital
<i>Outstanding</i>	275,644,273	\$3,692.1	271,771,667	\$3,592.1

All outstanding Bell Canada common shares are owned, directly or indirectly, by its parent company, BCE Inc.

The number of common shares issued during the last three years is as follows:

	1991	1990	1989
For cash	3,872,606	12,043,279	15,213,062
Upon conversion of preferred shares	—	—	649,479
	3,872,606	12,043,279	15,862,541

Premium on share capital represents the consideration received in excess of the then par value of common shares issued before Bell Canada was continued under the Canada Business Corporations Act on April 21, 1982.

9. *Unused bank lines*
of credit

At December 31, 1991, the Corporation had unused bank lines of credit, generally available at the banks' prime rate of interest or less totalling \$215.4 million, for general corporate purposes and to support commercial paper borrowings. All lines of credit are binding on the financial institutions.

10. *Accounts receivable*
and accounts payable

At December 31, 1991, accounts receivable are principally from customers and include \$31.8 million (\$18.9 – 1990) from parent, affiliated and associated companies.

The Corporation's receivables, principally from a large number of customers in Ontario and Québec, are subject to terms and conditions approved by its regulator. Due to the essential nature of the telecommunications services offered by the Corporation, credit risk associated with current and long term receivables tends to be minimal as a percentage of total revenues.

**10. Accounts receivable
and accounts
payable (continued)**

Under an agreement dated December 21, 1990, Bell Canada sold, with minimal recourse, accounts receivable for cash proceeds of \$100 million in 1991 (\$250 – 1990). Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables from Bell Canada until the expiration of the agreement on December 21, 1995. The agreement may be terminated at an earlier date by either party. Bell Canada is obligated to pay monthly the purchaser's cost of funds, plus predefined fees.

Accounts payable include \$192.6 million (\$181.0 – 1990) due to affiliated and associated companies.

**11. Changes in working
capital**

Cash provided from (used for) changes in other working capital components:

	(millions of dollars)		
<i>Year ended December 31</i>	1991	1990	1989
(Increase) decrease in current assets:			
Accounts receivable	\$ (18.1)	\$ (58.7)	\$(119.9)
Proceeds from the sale of accounts receivable (note 10)	100.0	250.0	—
Prepaid expenses	5.2	4.2	11.9
Income and other taxes receivable	—	—	103.3
Other	20.9	8.2	(7.1)
Increase (decrease) in current liabilities:			
Accounts payable	112.6	(103.7)	124.0
Advance billing and payments	(3.9)	8.3	(248.0)
Dividends payable	7.1	11.6	14.8
Taxes accrued	(85.1)	101.7	60.2
Interest accrued	(0.5)	12.3	5.0
Decrease (increase) in other working capital components	\$138.2	\$233.9	\$ (55.8)

**12. Quarterly financial
data**

Summarized consolidated quarterly financial data are as follows:

	(millions of dollars)			
<i>Three months ended</i>	Mar. 31	June 30	Sept. 30	Dec. 31
1991				
Operating revenues	\$1,892.6	\$1,932.8	\$1,948.9	\$1,954.7
Net revenues	534.1	533.2	551.2	554.8
Net income	243.1	241.6	251.6	249.7
Net income applicable to common shares	226.1	223.8	232.2	230.3
1990				
Operating revenues	\$1,883.6	\$1,909.7	\$1,927.7	\$1,933.7
Net revenues	482.6	503.2	548.6	509.8
Net income	236.3	237.6	249.1	242.7
Net income applicable to common shares	219.5	220.9	232.3	226.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. *Reconciliation of results reported in accordance with Generally Accepted Accounting Principles (GAAP) in Canada with United States GAAP.*

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated financial statements of Bell Canada are reconciled as follows:

	(millions of dollars)			
<i>Three months ended</i>	Mar. 31	June 30	Sept. 30	Dec. 31
1991				
Net income – Canadian GAAP	\$243.1	\$241.6	\$251.6	\$249.7
Adjustments				
Foreign exchange (a)	10.2	14.9	3.5	(22.2)
Net income – U.S. GAAP	\$253.3	\$256.5	\$255.1	\$227.5
1990				
Net income – Canadian GAAP	\$236.3	\$237.6	\$249.1	\$242.7
Adjustments				
Foreign exchange (a)	(10.6)	1.4	3.2	(2.3)
Net income – U.S. GAAP	\$225.7	\$239.0	\$252.3	\$240.4
<i>Year ended December 31</i>		1991	1990	1989
Net income – Canadian GAAP		\$986.0	\$965.7	\$875.1
Adjustments				
Foreign exchange (a)		6.4	(8.3)	28.0
Prior periods (b)		—	—	(101.1)
Net income – U.S. GAAP		\$992.4(c)	\$957.4(c)	\$802.0

- a) The difference arises from the method of accounting for unrealized foreign currency gains and losses on long term debt, under Canadian GAAP as opposed to under United States Financial Accounting Standards Board's Statement No. 52 – Foreign Currency Translation.
- b) United States Financial Accounting Standards Board's Statement No. 71 – Accounting for the Effects of Certain Types of Regulation, requires inclusion in the current income statement of refunds to subscribers which occur in a period other than the period in which the related revenue was recognized.
- c) If the early retirement incentive plans in 1991 and 1990 had been treated in accordance with the United States Financial Accounting Standards Board's Statement No. 88 – Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, net income would have decreased by \$72.0 million in 1991 and by \$108.5 million in 1990.

14. Supplementary income statement information

	(dollars in millions)		
Year ended December 31	1991	1990	1989
Operating expenses include:			
Depreciation expense, including amortization of property held under capital leases	\$1,478.3	\$1,413.6	\$1,272.7
Depreciation – percentage of average depreciable property, plant and equipment	6.54%	6.72%	6.56%
Maintenance and repairs	\$ 989.4	\$1,150.6	\$1,186.4
Taxes other than payroll and income taxes			
Property and business	\$ 77.6	\$ 72.8	\$ 66.3
Gross receipts	288.0	275.1	253.6
Miscellaneous	60.9	60.9	52.3
Total	\$ 426.5	\$ 408.8	\$ 372.2
Research and development expenses (before deduction of tax incentives)	\$ 131.6	\$ 115.1	\$ 141.5
Allowance for funds used during construction	\$ 30.4	\$ 38.3	\$ 36.7

15. Related party transactions

During the year, the Corporation purchased equipment and related supplies from Northern Telecom Limited totalling \$1,356.6 million (\$1,477.4 – 1990, \$1,494.4 – 1989) and expensed \$39.2 million (\$44.7 – 1990, \$53.2 – 1989) on research and development from Bell-Northern Research Ltd. Bell Canada also entered into research and development arrangements with Northern Telecom Limited. These companies are subsidiaries of the parent company of Bell Canada.

16. Pensions

The following table presents the financial position of the Corporation's pension plans:

	(millions of dollars)	
	1991	1990
Pension plan assets at market related value	\$6,233.4	\$6,023.4
Actuarial present value of accrued pension benefits as at December 31	5,555.4	5,199.6
Surplus	\$ 678.0	\$ 823.8
	1991	1990
Total pension expense for the year	\$21.5	\$7.7
	1989	
	\$64.2	

17. Subsequent event

On January 15, 1992, Bell Canada issued 3,822,244 common shares to BCE, for a cash consideration of \$100 million, as a result of the partial reinvestment by BCE of dividends on common shares received from Bell Canada on the same date.

SELECTED FINANCIAL AND OTHER DATA ⁽¹⁾

	(dollars in millions)				
	1991	1990	1989	1988	1987
<i>Income statement data</i>					
Total operating revenues	\$ 7,729.0	\$ 7,654.7	\$ 7,272.9	\$ 6,623.6	\$ 6,372.1
Net income	986.0	965.7	875.1	780.3	722.2
Dividends declared	806.7	773.5	712.4	641.2	574.6
<i>Balance sheet data</i>					
Total assets ⁽²⁾	\$17,162.5	\$16,605.0	\$15,698.7	\$14,678.3	\$13,644.4
Long term debt ⁽²⁾					
(including current portion)	5,447.8	5,185.6	4,880.5	4,499.2	4,434.1
Preferred shares ⁽²⁾ (redeemable)	983.5	850.0	800.9	591.4	736.0
Gross capital expenditures	2,295.2	2,343.4	2,330.9	2,200.2	1,991.3
<i>Financial ratios</i>					
Percent return on average common equity	12.9	13.2	13.0	12.9	13.3
Percent return on average common equity for regulatory purposes	12.9	13.2	13.0	13.1	13.4
Interest coverage ratio	4.03	4.04	4.19	4.07	4.14
Interest as a percent of total average debt	10.2	10.1	9.9	9.9	9.9
Debt as a percent of total capital ⁽²⁾	40.1	40.3	40.2	41.5	43.0
Percent return on average total capital	11.4	11.6	11.4	11.4	11.5
<i>Other statistics</i>					
Network access services (thousands) ⁽²⁾	9,024.5	8,798.2	8,503.6	8,092.3	7,761.1
Message toll service messages (millions)	1,757.6	1,702.3	1,586.5	1,382.4	1,192.0
Number of employees ⁽²⁾	54,632	56,530	57,788	55,110	53,735
Salary and wage payments	\$ 2,457.6	\$ 2,447.2	\$ 2,338.3	\$ 2,074.0	\$ 1,983.4

(1) Consolidated data except percent return on average common equity for regulatory purposes.

(2) As at December 31

DIRECTORS AND OFFICERS

The following information on directors and officers is as of December 31, 1991.

DIRECTORS

Roy Frederick Bennett, F.C.A.	President, Bennecon Limited
Claire Paradis Bertrand	Company Director
Jean Casselman Wadds, O.C.	Company Director
André Charron, C.M., Q.C.	Chairman of the Board, Industrial-Alliance Financial Inc.
Warren Chippindale, F.C.A.	Company Director/Consultant
Joseph Victor Raymond Cyr, O.C.	Chairman of the Board and Chief Executive Officer, BCE Inc.
Albert Jean de Grandpré, C.C., Q.C.	Founding Director and Chairman Emeritus, BCE Inc., Legal Counsel to the law firm of Lavery, de Billy
Geno Frederick Francolini, F.C.A.	President and Chief Executive Officer, Xenon Capital Corporation
Robert Kearney	President and Chief Operating Officer, Bell Canada
Léonce Montambault	Company Director
Jean Claude Monty	Chairman of the Board and Chief Executive Officer, Bell Canada
Gordon Francis Osbaldeston, P.C., O.C.	Senior Fellow, School of Business Administration, University of Western Ontario
John Harry Panabaker, C.M.	Company Director
Guylaine Saucier, C.M., F.C.A.	Company Director
Charles Richard Sharpe	Chairman of the Board, Sears Canada Inc.
James Carden Thackray	Company Director
Paul-Gaston Tremblay, C.M., C.A.	President, Primo-Gestion Inc.
Lynton Ronald Wilson	President and Chief Operating Officer, BCE Inc.
Douglas Tyndall Wright, O.C., Ph.D.	President, University of Waterloo

OFFICERS

Jean Claude Monty	Chairman of the Board and Chief Executive Officer
Robert Kearney	President and Chief Operating Officer
William Brian Hewat	Executive Vice-President (Marketing)
Charles Wesley Moore Scott	Executive Vice-President (Ontario Region)
Louis Alphonse Tanguay	Executive Vice-President (Québec Region)
Paul André Aubin	Vice-President (Business Sales & Service), Québec Region *
Jean Andrea Bernard	Vice-President (Personnel Resources)
Gary Dickson Bray	Vice-President (Marketing & Development)
Pierre Joseph Chagnon	Vice-President (Corporate Performance)
Michael Stuart George Corlett	Vice-President (Business Sales & Service), Ontario Region
Bernard André Courtois	Vice-President (Law & Regulatory Affairs)
Richard Deland French	Vice-President (Consumer Sales & Service), Québec Region
Robin Alexander Hamilton Harding, F.C.A.*	Vice-President and Comptroller
Guy Houle	Vice-President and Corporate Secretary
Pierre Jadoul	Vice-President (Network Services), Québec Region
Kamil Jameel Khan	Vice-President (Operations Development)
Charles Alfred Labarge	Vice-President (Logistics)
Murray John Makin	Vice-President (Residential Sales & Service), Ontario Region
Owen Walter McAleer	Vice-President (Engineering & Research)
Stewart Verge	Vice-President (Network Services), Ontario Region

*On February 1, 1992, R.A. Hamilton Harding's title changed to Vice-President (Finance) and Chief Financial Officer.

COMMITTEES OF THE BOARD

AUDIT

W. Chippindale – Chairman
 R.F. Bennett
 J.V.R. Cyr
 A.J. de Grandpré
 J.H. Panabaker
 P.-G. Tremblay

PENSION FUND POLICY

R.F. Bennett – Chairman
 G.F. Francolini
 L. Montambault
 G. Saucier
 J.C. Thackray
 P.-G. Tremblay
 L.R. Wilson

MANAGEMENT RESOURCES AND COMPENSATION

C.R. Sharpe – Chairman
 A. Charron
 J.V.R. Cyr
 A.J. de Grandpré
 L. Montambault
 J.H. Panabaker

SOCIAL AND ENVIRONMENTAL AFFAIRS

J. Casselman Wadds – Chairman
 C.P. Bertrand
 J.C. Monty
 G.F. Osbaldeston
 J.C. Thackray
 D.T. Wright

Bell

**BELL
EMPLOYEE
ANNUAL
REPORT
1991**

**MAKING IT
HAPPEN**

**IMPLEMENT
TOTAL QUALITY
MANAGEMENT**

**EXCEL
IN SALES AND
SERVICE**

**MANAGE
FOR MAXIMUM
CONTRIBUTION**

**INVEST
FOR ADVANTAGE**

SOME
THOUGHTS
FROM
JEAN MONTY
AND
ROBERT
KEARNEY



Progress and change marked almost every aspect of our 1991 operations, moving us forward on our mission of world leadership. Despite a weak economy, reseller competition and substantial rate reductions, we increased our net income. Against a slight drop in revenues from toll and network service, there were increases in other areas by focussing on selling new high-contribution services such as Call Management Service. An Early Retirement Incentive Plan early in the year and outstanding efforts by everyone at keeping costs down resulted in a decrease in total operating expenses – the first such decrease in many years.

With the business unit structure in place, we increased operational effectiveness and achieved better market focus. Greater market coverage with new Téléboutiques and Phonecentres, more emphasis on selling effectively and a significant increase in our portfolio of products and services, providing customers with improved choice and flexibility, all showed that we are preparing ourselves well for the future.

Within the company, we acted on our commitment to improve communications by holding interactive broadcasts with employees and we laid plans for a permanent video network across the company. Pressing for a greater sense of teamwork, we extended the team award to include all employees.

We also made progress on the introduction of Total Quality Management and, realizing the contribution that it can make in the success of our business, we moved TQM to the top of our list of strategic priorities for 1992. TQM includes improving our ability to work together as a team, breaking down hierarchical barriers, listening to each other and to our customers, and, ultimately, transforming how we manage the business. By implementing TQM we will realize our other goals – excelling in sales and service, managing for maximum contribution and investing for advantage.

Naturally, superior customer service remains a key ingredient in our formula for success; the fact that we have been listening to our customers and acting on their needs has been noticed by them. Our 1991 customer attitude survey results show greater customer satisfaction in such key areas as repair, installation and local and long distance network service.

Increasingly, we are showing our business customers that we realize we can succeed only by helping them. Last year, we made a strong case for the Bell Vision, which addresses those needs, at the Canadian Radio-television and Telecommunications Commission hearings on two applications to increase competition in long distance telecommunications. And we have taken major steps in implementing the plan. In fact, in 1991, the first year of the Bell Vision, we introduced some \$75 million in long distance rate reductions, including volume and package discounts, with more to come in the future; our goal is to achieve parity with U.S. prices by 1996. Regardless of the outcome of the hearings, we will continue to pursue this goal.

We will also continue towards providing as many of our customers as possible with access to digital network services by 1995 and accelerate the flow of new products and services designed for both the residence and business markets. We will, for example, expand our trial of Personal Communications Services this year and extend TeleMessage Service; new ISDN services such as Microlink are also ready to be introduced this year.

Not only from our customers, but across the country, we got top marks for

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our achievements. Canadians rated us as the country's number one corporate citizen in a Gallup Poll conducted in the fall. Our products and services were considered the best in the country in the poll. Contributing to this good reputation are the efforts of thousands of employees who participate in community service activities, and who give so generously of their time to help others.

Among other achievements are the initiatives we have taken to provide environmentally friendly products and services. Increasingly, the products we use internally are either recycled or recyclable, as are those – such as telephone directories and customer bills and envelopes – which go to our customers.

As 1991 closed, we announced several initiatives aimed at improving our global positioning, strengthening our ability to compete and providing our customers with access to world markets.

The first of those initiatives, the creation of Stentor, saw a rejuvenated alliance of the country's nine major telecommunications companies, and the establishment of two jointly-held companies: Stentor Resource Centre Inc. and Stentor Telecom Policy Inc. Stentor Resource Centre, which will begin operations January 1, 1993, will develop national telecommunications products and services as well as national technology standards and will establish international alliances with other telecommunications organizations. In addition, it will develop the strategy for a new national service concept, Stentor Signature Service, providing account planning, sales and service for national and major business customers from coast to coast.

Stentor Telecom Policy Inc., which began operation on February 3 of this year, is a government relations advisory and advocacy arm for the alliance members and, possibly, other participants in Canada's telecom industry.

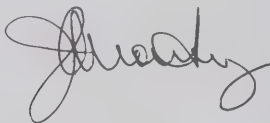
The Stentor alliance is a telecommunications industry response to the needs and goals of our customers. Through this alliance we will be able to accelerate product and service development, significantly enhance service levels and improve our responsiveness to market demands. We want to cut the present product development cycle –

from three to four years to 12 to 18 months. In addition, Stentor Resource Centre will help all of its owner telecommunications companies establish uniform standards of service excellence, products, pricing and technology. Our large customers had been asking us for years to improve on the workings of our national delivery system and we believe Stentor to be the appropriate response to this need.

A second step in the strengthening of our company is the proposed alliance with SHL Systemhouse, a major player in global systems integration. This alliance, whereby BCE would own 60% of SHL, will bring us closer to meeting our customers' needs for value-added, integrated, end-to-end services on a global scale. The creation of a new company (of which SHL may own 25-30%), encompassing the systems and methods sides of Operations Development, will see us selling our software to the global telecommunications community, thus providing more money to fund new, improved systems. Finally, the merger of our data centre operations with the existing SHL business will create a world-class player in "outsourcing" – reducing costs at Bell, strengthening the information services business in Canada which is an important market segment for us, and attracting business to Canada from elsewhere in North America. Negotiations on the proposed alliance are underway and, if successful, approval to proceed will be sought from the Boards of BCE, Bell and SHL and from the regulatory agencies in April.

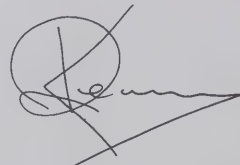
It sometimes seems difficult to keep up with the ever-accelerating pace of change. But it would be more serious if things at Bell weren't changing as fast as they are – or at all. They have to be if we are to keep up with the ever-changing needs of our customers. And our customers' success means success for us.

We need to be flexible and open-minded as we face 1992's challenges – of which there will no doubt be many. We have taken great strides in achieving our mission of world leadership. We are sure that 1992 will bring us even closer to that goal.



Jean Monty

Chairman and Chief Executive Officer



Robert Kearney

President and Chief Operating Officer

EXCEL IN SALES AND SERVICE



PEOPLE MAKING IT HAPPEN

Name:

RÉAL ST-LOUIS,

Cable Repair Technician

Group:

Network Services, Trois-Rivières, Québec

Name:

ROBERT PICHETTE,

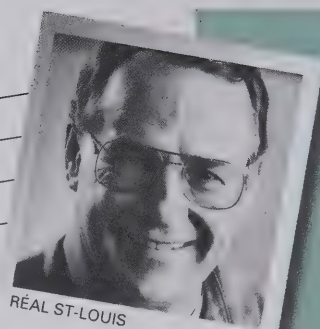
Repair Technician II

Group:

Sales and Service, Trois-Rivières, Québec

Accomplishment:

Providing emergency service



RÉAL ST-LOUIS



ROBERT PICHETTE

In less than 30 seconds, the town of Maskinongé, Québec was transformed from a small community into a disaster area : without warning, a tornado struck on August 27 and left the town with millions of dollars damage, no electricity and no telecommunications service.

Réal St-Louis was one of the first Bell employees to arrive at the scene from Trois-Rivières, 40 km. away. "I really had a lump in my throat when I saw the destruction, because Maskinongé is

my hometown. Nearly every home and building had been severely damaged. It took hours to drive through the town, less than two km., because of downed wires, trees and other debris."

Réal and several other employees spent the first night assessing the damage to Bell's facilities, finding that 70 per cent of the local outside plant had been destroyed. Over the next few days, dozens of Bell employees worked around the clock to rebuild the network and restore service.


"It was the greatest piece of Bell teamwork I'd ever seen in my career," says Robert Pichette, who worked 16 hour shifts during the crisis. "Installers, repair and line technicians, cable splicers, people from Facilities Estimates and Plant, Assignment and Central Offices all pitched in. Everyone responded instantly to get anything that was needed."

"People were in shock," Réal recalls. "The first few nights were spooky, with the only light in town coming from Bell and Hydro emergency vehicles. Everybody looked to us to provide some sense of normalcy because people feel cut off when they can't call anyone."

The Bell team was able to rebuild the network in a matter of days.

"Most people seemed sorry to see us go," says Robert. "I think they felt comforted to have Bell provide such a strong presence. It was a very touching experience for everyone."

IMPLEMENT TOTAL QUALITY MANAGEMENT

A black and white photograph of a woman with short, dark, curly hair, smiling and looking towards the camera. She is holding a large, ornate key that is nearly as tall as she is. The key has a complex, multi-tiered head and a long, straight shaft. She is wearing a dark, patterned top. The background is a plain, light-colored wall.

*"We have to give our
salespeople the best possible
tools to serve our customers."*



"I joined this district in early 1991 and it was immediately apparent our salespeople weren't getting urgently-needed information," says Lakshmi Subash.

One of their most urgent needs was specific data on customers' toll usage.

"The old system we were using provided only one month's information, and you waited months to get that! The system probably met the needs when it was developed... but not anymore."

Lakshmi and her team developed SETI, Selected Extracts of Toll Information, for Bell's Sales and Network Design groups. SETI provides data on all of Bell's business customers toll usage for the most recent six months.

"After a customer is approached by a competitor, their first move is usually to call their Bell sales contact to see what we can do for them. SETI allows our sales force to respond more quickly by giving them in a day information that used to take a month to generate.

"Customer's toll usage data is crucial to designing the custom networks and discount packages our customers demand," explains Lakshmi.

SETI also saves months of analysis for Network Design and Sales people who directly integrate the toll data into other network optimization tools and software programs which help tailor Bell services to customer needs.

Another SETI advantage is that it can be accessed through IIS (Integrated Information System), the company's chief internal information tool.

"We make the most of our existing resources instead of reinventing the wheel," Lakshmi adds.

"We don't have the time frames we used to. Customers' demands are much more sophisticated, and we have to respond with the same degree of sophistication - and fast."

MANAGE FOR MAXIMUM CONTRIBUTION



*"Thousands of employees
have participated in the
profit orientation seminars
we developed."*

Name:

FIONA CROSSLING,
Manager - Professional Development

Group:

Education & Training, Montréal

Name:

JOYCE DOWDALL,
Section Manager - Professional Development

Group:

Education & Training, Toronto

Accomplishment:

Developing and implementing profit orientation seminars

FIONA CROSSLING

JOYCE DOWDALL

Thousands of employees have a much better understanding of how they fit into Bell's financial picture, because of training developed by Joyce Dowdall and Fiona Crossling of the Bell Institute for Professional Development.

"There was a real need to have financial education made available to everyone in the company, according to the Bell Employee Survey," says Joyce. "Employees felt we needed more emphasis on revenue generation as well as on our mission value of Profit Orientation."

Joyce developed the course "Profit Orientation - Making Sense of the Dollars" at the request of Network Services. "As we worked with the NS team on a proposed general financial course, we discovered that employees didn't need to learn how to read a balance sheet as much as they needed a deeper understanding of our own company... and how the decisions we all make every day ultimately affect the bottom line."

Fiona introduced "Making Sense" in Québec, and worked with Joyce to develop a second financial seminar - "It's Your Business" - which was rolled out simultaneously throughout the company. The latter is available to all employees, while the first was more specialized for Network Services, Logistics and Regional Performance. "We worked closely with our client groups to develop this program in record time," Fiona notes. A third financial seminar introduced in 1991 was "Take the Lead", which focuses on revenue generation.

Joyce and Fiona trained hundreds of employees to facilitate the profit orientation seminars, who in turn presented the program to their colleagues. "The local facilitators were great," says Fiona. "They were in the best position to link profit orientation to their own jobs during the local sessions."

By the end of 1991, less than a year after these seminars were introduced, over 20,000 employees had participated.

EXCEL IN SALES AND SERVICE



"It took years of preparation and great teamwork, but we won back a major customer for Bell."



Name:

FRASER McNEELY, Account Executive

Group:

Business Sales and Service, Kingston, Ontario

Name:

LINDA WOOD, Manager - Customer Systems

Group:

Business Sales and Service, Ottawa, Ontario

Name:

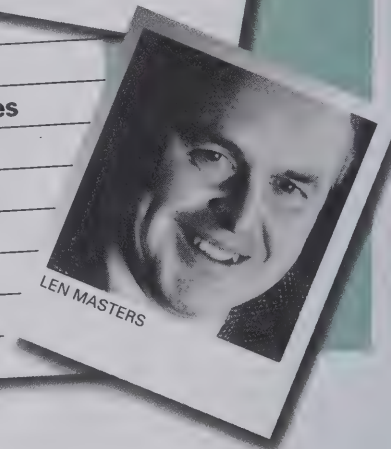
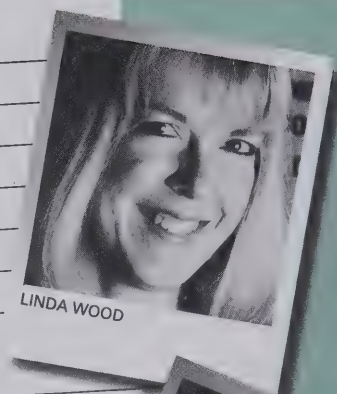
LEN MASTERS, Manager - Installation & Repair Field Services

Group:

Business Sales and Service, Kingston, Ontario

Accomplishment:

Winning back a major customer



When Bell Canada cut over a new switch at Kingston's Hotel Dieu Hospital in December 1991, it was the culmination of years of preparation to win back a customer that had 'gone interconnect' in the early 1980's.

"We established relationships with the key players at the hospital to be in the best possible position to help them if the opportunity came up," says Fraser McNeely. "We made extra efforts when they required some work for off-premises circuits, to establish ourselves as the only people who could provide the level of service they needed."

Fraser explains the account heated up when the interconnect company cancelled its service agreement because the switch became increasingly difficult to maintain.

"The hospital is very people-oriented," Fraser continues. "Instead of just trying to sell them a new switch, we learned about their values and ethics. We linked our qualities as individuals with theirs, which stood us apart from the competition."

With the million dollar deal finalized, Linda Wood was brought in from Ottawa to help out, because of the tight deadlines. "I worked very closely with the customer to ensure the software design met the hospital's needs. We had only a month to do station reviews and system design for 1,200 sets. The cut-over team accomplished in 11 weeks what normally takes 22," Linda explains.

Len Masters recalls Bell's technicians had an emotional reaction to the sale. "Most of us were around when the hospital left Bell, and we took it personally. So when the prospect of winning them back arose, we were very excited. We felt we had something to prove to the customer and to anybody else in the community who might be watching. The installers enthusiastically worked the 12 hour shifts necessary to meet our commitments."

Fraser concludes: "It wasn't our product or pricing that made the difference in this win-back... our people made it happen."



*"The main reason I'm
so active in the community
is because I enjoy it."*

Name:

ERIC THOMSON,

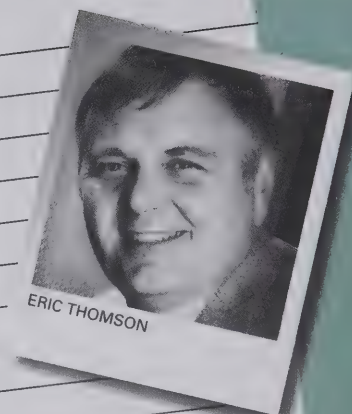
Tester

Group:

Repair Service Bureau, London, Ontario

Accomplishment:

Being a leader in his community



"Yes, I do have a family, and yes, I do get to see them," jokes Eric Thomson. That's almost hard to believe considering his range of community activities in his hometown of London.

Eric is heavily involved with the Optimists, having served as president of his local club and winning special recognition from the Optimists International organization based in Saint Louis.


"The Optimists' motto is 'Friend of Youth', but we're dedicated to serving the community in many ways. Each club decides which local needs should be addressed. I have a special interest helping hearing-impaired children," explains Eric, whose eldest son is hearing-impaired.

Eric coordinates a variety of activities for Optimists clubs throughout midwest Ontario. He is also active with the Hugh O'Brian Youth Foundation, which helps high school students develop leadership skills. And he has spent part of the last four years helping plan an aquatics centre which opened in London in October, 1991. Eric's long list of activities includes, among others, serving as a group Chairman in Scouts Canada; President of the London Ski Club, a non-profit organization which operates a public ski hill; an instructor with Ontario Track 3, a program for disabled skiers.

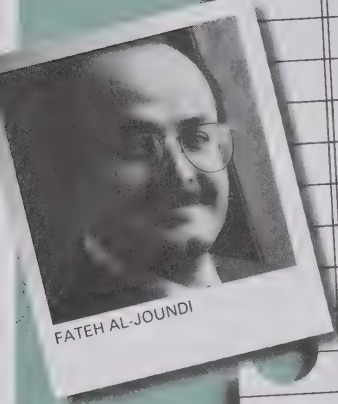
Eric is equally involved at work. Along the way, he has won numerous job-related commendations including two Excel awards for distinguished customer service and a Teamwork Recognition Award.

"Ten years ago I was just another couch potato. But I realized the world needs help and these days youth especially need direction. Once I started to get involved, things just snowballed," says Eric. "I've found a niche. My wife and children come first, but I can plan well enough to keep my commitments to my family and job and still give something back to the community."

INVEST FOR ADVANTAGE



*"We're encouraging
customers to influence the
network's development
to meet their needs"*



Name:
FATEH AL-JOUNDI, Supervising Engineer

Group:
Network Planning, Toronto

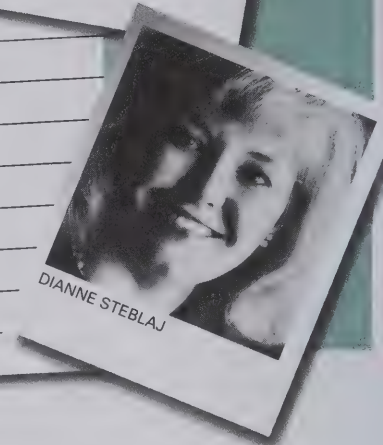
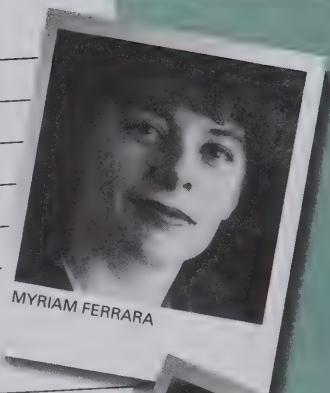
Name:
MYRIAM FERRARA, Sales Manager

Group:
Sales & Service, Montréal

Name:
DIANNE STEBLAJ, Account Executive

Group:
National Accounts, Toronto

Accomplishment :
Developing tailored network strategies for business customers



"Network Services is giving top priority to meeting the changing telecommunications needs of individual business customers," says Fateh Al-Joundi. "It's a team effort involving all aspects of the Network Services operations and Sales."

Fateh is part of a new Services Planning district established last year within Network Planning. It works closely with different sales groups to develop tailored strategies for customers making the best use of the network's evolving capability.

Conducting customer studies is one of Fateh's key responsibilities, and he made about 20 major presentations to large business clients in 1991.


"This approach lets us more than ever before offer flexible solutions to national account customers," notes Dianne Steblaj. "Instead of saying 'this is what our network does: take it or leave it' we're saying 'tell us what you want and we'll get the network to do it for you.'"

Dianne describes how one of Fateh's studies helped her client, the Bank of Nova Scotia. The bank suffered an accidental cable cut two years ago that put its voice network out of service for four days. To guard against such mishaps, the bank has been using another carrier as well as Bell for its telecommunications activities. Fateh showed the bank how Bell could install fiber rings into the network to keep telecommunications traffic flowing in the event of

a similar accident. "The fiber rings helped us customize the network to the bank's needs," she says.

Myriam Ferrara was Fateh's contact in Québec Region when dealing with customers who have operations in both provinces. "It's always complex looking after customers with needs in different cities, because we always have to talk to so many people in the company to see if it's possible to do what the customer asks for," says Myriam. "This more unified technique moves us closer to having one point of contact for all the customer's needs."

EXCEL IN SALES AND SERVICE



*"Bell's Customer Satisfaction
Program helps us better
understand our performance
and customers' expectations."*

Name:

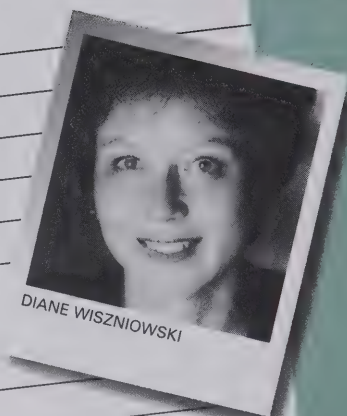
**DIANE WISZNIOWSKI, Associate Director -
Customer Satisfaction Program**

Group:

Marketing, Toronto

Accomplishment:

**Making the Customer Satisfaction Program
a success**



"If you really want to listen to customers, you'd better be prepared to listen to the bad news as well as the good," states Diane Wiszniowski, "and you'd better be ready to do something about it."

Bell is listening and doing something, says Diane, one of the driving forces behind the company's Customer Satisfaction Program.

Diane and her colleagues conduct in person interviews biannually with all of Bell's largest business customers – the approximately 250 who contribute more than \$1 million of revenue annually.

After customers complete an extensive questionnaire, an interviewer from the CSP team follows up with a visit which frequently lasts for several hours to discuss their responses. Although it's time consuming, no customer has yet declined to participate. "We can delve into a lot more detail in person about what makes the customer happy and learn how to extend those good things to other customers. The other side of the coin is to see where we're not performing so well, and better understand the customer's needs and expectations. We've found out a lot about customer loyalty and what we need to do to keep it."

To ensure their comments are accurately reflected, customers sign off the CSP reports before they are circulated internally. Diane stresses the need to go back to the customers to address and develop appropriate actions. "The next time we visit the customer, we expect a change in their satisfaction rating... a positive change."

Diane says the CSP is much more than a survey. "It's part of our commitment to establish partnerships with our customers."

IMPLEMENT TOTAL QUALITY MANAGEMENT



*"Bell and the unions
are working together to enter a
new era in industrial relations."*

Name:

MARIE-MICHÈLE GIRARD,

Associate Director

Group:

Industrial Relations, Montréal

Name:

CAROLE VALLÉE,

Secretary

Group:


Industrial Relations, Montréal

Accomplishment:

Organizing avant-garde industrial relations conferences



MARIE-MICHÈLE GIRARD



CAROLE VALLÉE

"Bringing all these people together would have been unimaginable only a few years ago," says Carole Vallée, one of the organizers of an innovative seminar in Montréal called "Industrial Relations: New Directions". Labour relations experts, university professors, over 130 middle and upper Bell managers and the presidents of both the Canadian Telephone Employees' Association and the Communications and Electrical Workers of Canada attended the conference.

"All of the participants are in the avant-garde of industrial relations," says Marie-Michèle Girard. "The goal was to provide an opportunity for our managers to listen to experts from all facets of the world of industrial relations... to listen to their perception of the future and the new philosophy and orientations that are emerging."

Marie-Michèle says the seminar demonstrates the desire of company and union people to talk to each other and resolve problems on an ongoing basis instead of waiting until bargaining begins.

"Previously, industrial relations philosophy was based largely on confrontation," she continues. "Naturally, there are still different roles and interests for the unions and the company, but everyone's preference now is to try to reconcile differences with open dialogue and co-operation."

The one-day seminar was held in conjunction with the Université de Montréal School of Labour.

"Our colleagues in Toronto held one of these conferences as well, in conjunction with the University of Toronto," notes Carole. "They were both so successful that the seminars are going to be extended to Tier C and D managers in 1992."

Says Marie-Michèle: "The seminars are evidence that we've entered a new era and there's no going back if we want to overcome our problems and stay competitive."

MANAGE FOR MAXIMUM CONTRIBUTION



*"Benchmarking helps us
provide better customer service
at a lower cost."*



MICHAEL CANT

Name:

MICHAEL CANT, Manager - Special Assignment

Group:

Corporate Performance - Operations, Toronto

Name:

DIANE FARRELL, Manager - Operations Development

Group:

Residence Sales & Service, Montréal

Name:

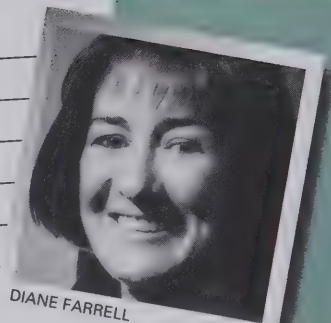
ROBERT S. HAYWARD, Associate Director

Group:

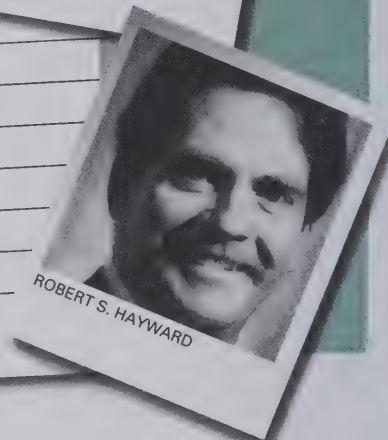
Residence Sales & Service Line Operations, Toronto

Accomplishment :

Helping Bell reduce the cost of serving customers



DIANE FARRELL



ROBERT S. HAYWARD

'Benchmarking' has become one of the most popular concepts in the business world. At Bell Canada it has a very specific role.

Michael Cant, one of the benchmarking team members, says "it helps us meet the challenges of the Bell Vision... to make Bell a world leader providing telecommunications services at the lowest possible cost. Benchmarking doesn't mean slashing budgets. It refocuses the efforts of a department to improve its contribution and quality for the company and customers. And it adds to our productivity gains."

Diane Farrell explains that initial benchmarking studies revealed that cable maintenance and station service provisioning were two of the high cost areas where benchmarking could have the greatest benefit.


"We analyzed the entire chain of events from customer call to completing the service request, examining every possible scenario from a save visit - what customers call 'just flipping a switch' with no Bell visit required - to where we must send a technician to provide service."

Bob Hayward continues. "As our research progressed, we realized the need to concentrate on our outside network of cables, because it was in areas where we didn't have sufficient spare pairs that we were spending the bulk of our dollars to provide service... sending technicians to the same places over and over again."

The benchmarking team found that 90 per cent of service orders requiring a field visit were happening in approximately 20 per cent of the network. The team developed programs to use existing databases to predict where there would be a shortage of spare pairs. Knowing these areas early allows the Outside Plant Facilities, Cable Repair and Installation groups to solve problems and prevent shortages before the customer requests service.

"These programs reduce inconvenience caused by delayed service orders. Most importantly," points out Bob, "by doing things proactively instead of just reacting to demand, we provide better customer service at a lower cost."

EXCEL IN SALES AND SERVICE



*"We have a lot
of expertise at Bell to
offer other countries."*

Name:

PETER NGAI,

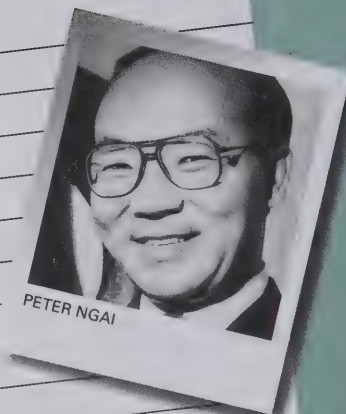
Project Manager - Buildings & Engineering

Group:

Real Estate, Toronto

Accomplishment:

Demonstrating Bell's expertise to another country



When Telecommunications Services of Trinidad and Tobago Ltd. sought Canadian expertise, Peter Ngai went above and beyond his normal course of duties to help them.

On very short notice, Peter organized a successful series of visits for TSTT representatives at the request of Bell Canada International.

"We didn't try to impress TSTT by showing off or overwhelming them with what a great company we are," says Peter. "We asked them a lot of questions because we had a genuine interest in seeing how we could help."

His approach paid off, as the first TSTT executive who toured Bell quickly asked for follow-up visits for other members of his staff.

TSTT were looking primarily at how Bell manages its fleet of vehicles, its outside plant construction and real estate activities. While simultaneously performing his regular job, Peter coordinated presentations and demonstrations of Bell's practices, methods, performance indicators, evaluative and assessment tools, tracking, measurement and control systems.

"TSTT serves a population of 1.2 million, so they have a smaller operation than we do, but they face similar challenges. They have more in common with us in the way they run their business than you might think," Peter points out.

After the third visit at the end of 1991, discussions were continuing with TSTT. It is expected that Peter's efforts will lead to sales of Bell-owned systems such as the security card access system and PROTRAX, the Project Tracking System.

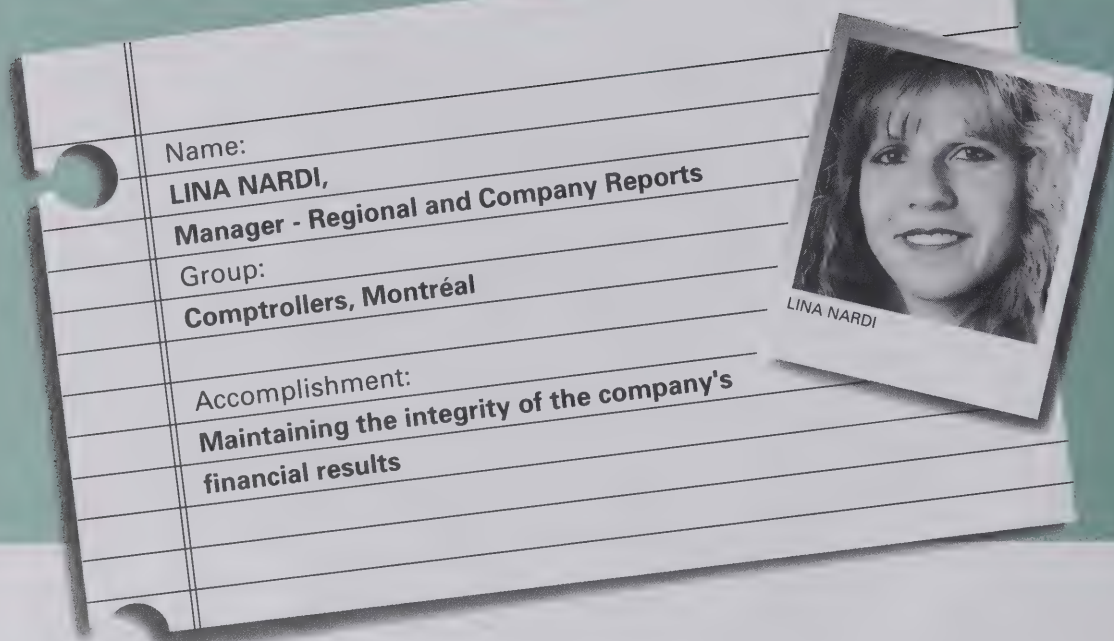
TSTT and BCI officials have repeatedly commended Peter for taking charge of the visits with such thoroughness and expertise. Peter attributes the visit program's success to listening to the TSTT representatives.

"The person to person relationship we established during the first visit kept them coming back."

IMPLEMENT TOTAL QUALITY MANAGEMENT



*"I make sure
Bell's financial reports
are accurate."*



Name:

LINA NARDI,

Manager - Regional and Company Reports

Group:

Comptrollers, Montréal

Accomplishment:

**Maintaining the integrity of the company's
financial results**

LINA NARDI

"If there's a discrepancy in our financial records, I'm really good at digging around to find the error," says Lina Nardi. "It's either because I'm a thorough investigator or just plain nosy."

Comptrollers, Lina's department, takes care of all of Bell's financial statements and a reporting error has serious consequences for the company. Lina's specific responsibility is to ensure the accuracy of Bell's revenues, expenses and other statistics. "Most employees are concerned with the company's bottom line and how they contribute to it. My job is to ascertain what that bottom line is at the end of every month and year," she says.

The data Lina records and verifies form the basis of reports that are closely examined by Bell's executives, shareholders, BCE, Statistics Canada and the CRTC. Many internal departments, such as Corporate Performance Operations, Engineering Economics and budget coordinators depend on the accuracy of Lina's work for their own projects. "That's why we provide analysis as well as confirming the statistics. Our clients need to know what the results mean."


A reorganization of responsibilities left Lina wearing two hats in her job. Financial data are collected from the regions and the Corporate groups before they're combined as final company results. Lina is responsible for the Corporate group as well as company-wide results. Compiling the regional

and Corporate figures used to be a separate job, but grouping it all under one person has made the reporting process much more efficient. As a result, overtime has been significantly reduced.

Lina is quick to point out her group's efficiency is dependent on the teamwork and efforts of the many departmental budget coordinators throughout the company.

"Looking after these numbers might sound boring to some, but I love it," says Lina. "Accounting is basically about people and money, and that makes this a very interesting job."

INVEST FOR ADVANTAGE

A black and white photograph of two men in business suits. The man on the left is standing and wearing glasses. The man on the right is seated at a desk, looking towards the camera. The background consists of horizontal window blinds.

*"We improved dramatically
the chances of completing
long distance calls in emergency
or heavy traffic situations."*

Name:

ANGUS DORRANCE,
Associate Director - Switching Systems Research

Group:

Engineering & Research, Montréal

Name:

HOWARD TRIEU,
Staff Manager - Switching Systems Research

Group:

Engineering & Research, Montréal

Accomplishment:

**Increasing the efficiency of Telecom Canada's
long distance network**

ANGUS DORRANCE

HOWARD TRIEU

A year ago, unusually heavy long distance traffic or a cut cable meant some calls could not get through the Telecom Canada (now Stentor) network. However, the likelihood of completing a call under such conditions has improved dramatically thanks to Angus Dorrance, Howard Trieu and the others who implemented the world's first real time Dynamically Controlled Routing technology.

"DCR uses a centralized computer in Ottawa to monitor all 49 switches in Telecom Canada's Intertoll Network and determine the optimum routing for the entire network every 10 seconds. It detects any network failure or overload and immediately re-routes traffic around the problem elements," says Angus.

Howard provides an example of the network's improved efficiency. "We cut over the new system on April 15, 1991. Our first big test was Mother's Day when about 10 million long distance calls are placed in Canada, with approximately 50 per cent completed. With DCR, we increased completions by 15.3 per cent, and this using 5.7 per cent fewer trunks."

The difference between then and now is that for 50 years, calls could be sent along several predetermined different routes between cities to reduce the number blocked by heavy traffic or emergencies such as cut cables. But

there were still relatively few options. Now, with DCR calls can be sent along a multitude of routes, spreading the load throughout the entire available network, and allowing millions of more calls to be completed.

Angus' team was the technical prime for DCR on behalf of Telecom Canada, and the results have been so outstanding that Bell is going to introduce this routing technology throughout the company, starting with local networks in Montréal and Toronto in 1992.

DCR allows more customers to complete more calls, while using less equipment in the network which requires less maintenance. Says Angus: "It's a perfect combination of improved service and reduced costs."

PEOPLE MAKING IT HAPPEN

JANUARY

J Bell awards a three-year, \$1.2 million research contract – its largest to a single university – to the École Polytechnique de Montréal to improve methods of software assessment, including DATRIX, a software analyzer.

Employees now have the opportunity to earn more for innovative ideas submitted to the Employee Suggestion Award System. The maximum award increases from \$20,000 to \$50,000 (before taxes). The minimum award is also raised to \$250.

Members of the Communications and Electrical Workers of Canada (CWC) ratify, by 86%, a new three-year collective agreement with Bell.

The Telephone Pioneers of America, the world's largest industrial volunteer organization, is named winner of the Toastmasters International Communication and Leadership Award. Pioneers – comprised of telecommunications employees and pensioners – win for continuing to "Answer the Call of those in Need".

Pioneers in action at Centre hospitalier St-Augustin



FEBRUARY

F The Bell Institute for Professional Development welcomes the first participants from non-profit groups to its business skills training program. By offering its training expertise to these organizations, Bell is helping them develop a key asset: their human resources. Courses include management seminars and workshops on such topics as presentation skills and effective leadership.

The company introduces an advanced method of billing for collect and

third-party calls in the 519 area code. Automated Billing Service uses voice-recognition technology to offer customers several types of billing options. The call is then automatically processed. ABS introduction continues gradually throughout Bell territory over the year.

Bell develops a new television advertising campaign for the French-language business long distance market. The series uses everyday business situations to depict Bell's new long distance products and services, and network reliability.



A scene from the French television campaign

MARCH

M OC-48, the world's first production transmission system using FiberWorld, is installed at Bell centres in Toronto. Developed by Northern Telecom, the SONET-based OC-48 equipment allows for higher capacity and increased traffic. One key factor in selecting Toronto as Bell's first site is that it has the largest free calling area in North America. FiberWorld is a network on which vast amounts of information are transmitted by fibre optics.

Bell files its five-year capital expenditures program for approval: an investment of \$11 billion to deliver and improve service to customers. Continuing the conversion of the network to digital technology will account for \$1.6 billion in modernization expenditures.

Jean Monty and 7,000 employees meet in a live interactive video broadcast to discuss the company's strategic direction for 1991. Bell's first interactive teleconference – involving more than 100 locations – gives employees the opportunity to directly question the CEO.

A PRIL

The Bell Institute for Professional Development introduces a revised two-year New Managers Development Program.

It exposes all new managers to a broad curriculum addressing key company business issues and objectives.

For 1,591 employees, it's time to bid farewell to the company as they take advantage of Bell's Early Retirement Incentive Plan (ERIP). A total of 3,614 management and technical and support employees were eligible for ERIP.

The Conference Board of Canada announces the first winners of a national

awards program sponsored by Bell and other Telecom Canada members. The program promotes the role of business in education and recognizes the best national and provincial business-education partnerships.

The Canadian Foundation for Physically Disabled Persons honours Bell with the newly-created Corporate Award for "helping the disabled achieve their full potential". Bell Relay Service, the Telecommunications Centre for Special Needs and the company's customized equipment are singled out for recognition.

BRS operator Colline Farand



M MAY

Bell and Northern Telecom announce a \$350 million R&D investment at Bell-Northern Research. The five-year plan means an expansion of BNR's Montréal facilities on Nun's Island to a new 10-storey, 14,500 square foot building. This move creates 350 high-tech positions, more than doubling BNR's professional research capability.

Bell, the Canadian Telephone Employees' Association and the CWC embark on a joint pay equity study. The two-year project will compare the value of Bell jobs predominantly held by women with that of jobs predominantly occupied by men, in order to identify whether there are any disparities in wages paid for jobs of comparable value.

In an effort to improve service to customers affected by hearing loss, Québec Téléboutique employees brush up on their communications skills through a training program, Access 2000, assisted by the Québec Centre for the Hearing Impaired.

Bell and the Natural Sciences and Engineering Research Council sponsor the establishment of an industrial research chair in electromagnetics at the University of Toronto. The endowment, worth \$2.7 million, will cover a five-year research program.

A company-wide office recycling initiative is launched as 18,000 employees at 25 Bell locations receive blue boxes for recycling paper. The program is to be expanded to all Bell buildings with at least 100 employees.

J JUNE

A fire under the Concorde Bridge on Montréal's Île Notre-Dame knocks out a Bell equipment chamber, causing a major service disruption on the South Shore and threatening the global broadcast of the Canadian Grand Prix. Bell technicians work through the night to reroute thousands of circuits, fiber optic cables and long distance lines. Service is restored as Bell takes the checkered flag in a race against the clock.

Toronto students hook up with other 10-to-15 year olds in 20 cities around the world in the historic celebration, "Kids '91". Using computers, ham radios and fax machines, they discuss issues such as the environment and child abuse. Bell links the young participants through its VideoForum network and multipoint video-conferencing bridges.

Martha Fleming, a Niagara Falls operator who donates much of her time to charities and many other causes, wins the Niagara Community Service Award. The 39-year veteran of Operator Services is actively involved in recruiting and fundraising for the Red Cross, Big Sisters, Pioneers and the Multiple Sclerosis Society, among others.



JULY

BCE Inc., Bell's parent company, reorganizes its telecommunications interests into three groups – BCE Canadian Telecom; BCE Telecom International; and, BCE Directories. Bell also realigns senior management duties as Jean Monty is named Chairman and Chief Executive Officer; Robert Kearney returns from BCE as President and Chief Operating Officer.

The main hearing into applications from Unitel Communications and B.C. Rail/Lightel to offer long distance comes to a close after 53 days of detailed cross-examination. Final arguments in the case are submitted in August and September. The Canadian Radio-television and Telecommunications Commission is expected to make a decision in the spring of 1992.

Jerry Mays, Section Manager – Employment, is the special events chairman for the 1991 Ontario Games for the Physically Disabled held in Hamilton. Winner of this year's Hamilton District Community Service Award, Jerry is also chairman of a disabled group, a track and field high school coach and president of a disabled recreation organization.

Laugh and the world laughs with you... so Bell has discovered as the main sponsor of Bell Just For Laughs, an annual international comedy festival. The ninth edition welcomes 250 artists from 150 different countries to Montréal July 11-21, performing their antics before 510,000 spectators and 600 million television viewers around the world.



AUGUST

Whoever said lightning never strikes twice hasn't worked at the Inco Creighton and Crean Hill nickel mines of Sudbury. Bell Canada and Inco investigate lightning which regularly knocked out the mines' telephone systems forcing miners to stop work and surface. Bell and Inco install voltage surge protection equipment on community telephone lines to guard against high power surges.

A number of energy conservation projects – including a computerized lighting system – completed by Bell's Facilities Management Group at 160 Elgin in Ottawa earns the company an incentive of close to \$500,000 from Ontario Hydro. Managing energy consumption using state-of-the-art technology also will give Bell a projected yearly savings of more than \$250,000.

Place Bell Canada, 160 Elgin in Ottawa



SEPTEMBER

The company's Team Award – an annual payout based on how well we meet or exceed financial and service objectives – will be extended to all employees, Jean Monty and Robert Kearney announce during an interactive videoconference.

Throwing out garbage is a waste, so Bell embarks on a zero waste pilot project to reduce and ultimately eliminate all waste generated at the 2 Fieldway Road office building in Etobicoke. In 1989, the building threw out 1,800 lbs. of garbage every day. By April of this year, waste had been more than halved to 700 lbs. because of paper, glass and can recycling. Composting food waste and getting rid of styrofoam, carbon and plastic products is also helping Bell to reduce waste from 150 lbs. at the end of 1991 to only 5 lbs. by mid-1992.

ZERO WASTE 2 FIELDWAY ROAD



GARBAGE PER DAY
AT FIELDWAY RD.



OCTOBER

Canada's "Best Corporate Citizen" is... Bell Canada. That from a national survey by Gallup Inc. and a well-known public relations firm. Canadians were asked how they felt about business. Bell rated first with a 12.3% score and ranked particularly high with Québécois (26.2%). Respondents cited quality goods and services as the most important criterion for good corporate citizenship.

Bell and Hydro-Québec introduce a unique invention to help sufferers of Cystic Fibrosis, an illness that attacks the lungs and digestive system. The portable device, a lightweight mechanical arm, allows drainage of the lung area. For the first time, CF patients can self-administer treatment needed daily to keep them alive.

Green kudos as Bell accepts the Award of Distinction in the "Environment Management" category at the first Financial Post Environmental Awards for Business.

Joanne Normand, Section Manager - Customer Service, is honoured by the Association des femmes d'affaires du Québec (Québec Businesswomen's Association) for her professional and community contributions. She receives the Total Quality honourable mention for the Saguenay-Lac-Saint-Jean region during the Fémina gala in Chicoutimi.

DECEMBER

A second high-density SNET fiber route is completed on Québec's North Shore serving customers in the Montréal-Québec-Rivière-du-Loup corridor. The \$28 million investment complements the company's existing South Shore portion of the Telecom Canada network, ensuring continuous telephone service in emergency situations and further strengthening the network's reliability.

The Bell team in Thunder Bay takes its second consecutive "Civic Pride" Award from the local Chamber of Commerce. This year's winners are members of the Recycling Team who developed their own waste management program.

Helping those in need during the holiday season has become a well-established Bell tradition. Among the many participants: a Montréal quarter of employees performs as Shrine Clowns to raise funds for the Montréal Shriners Hospital for Crippled Children; sales and service employees mount a financial campaign for underprivileged children in Québec City; about 50 employees from Montréal's West Island collect canned goods and help the Sun Youth Organization deliver food baskets to 8,600 families; Bell people donate presents and toys to Sault Ste. Marie's Christmas Cheer Program; employees in Barrie support the Women in Crisis Centre and organize a drive for local food banks; operators collect food, gifts and clothing in Owen Sound to benefit the Salvation Army.

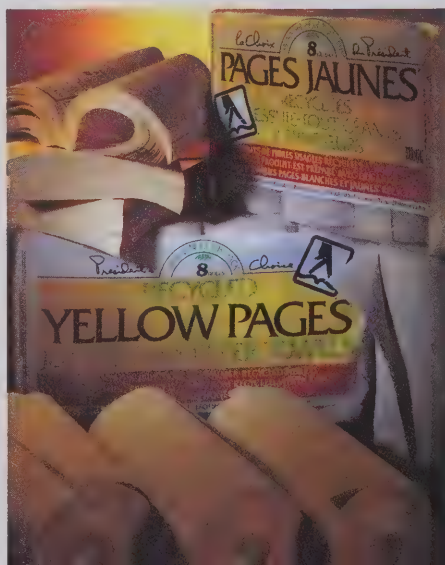
Shrine Clowns Mike Glezos (left) and Steve Gallant



NOVEMBER

Brian Howden helps Bell win the \$3 million telecommunications contract for the Ontario Hydro Bruce Nuclear Power Development. The company will install six Meridian systems totalling 3,700 sets. Brian, a Toronto-based account executive, also closes a \$700,000 upgrade and a number of smaller sales all while working on the BNPD mega-project, bringing his 1991 final terminal sales to \$5 million.

Singer Anne Murray winds up a five-city tour for the fourth edition of the

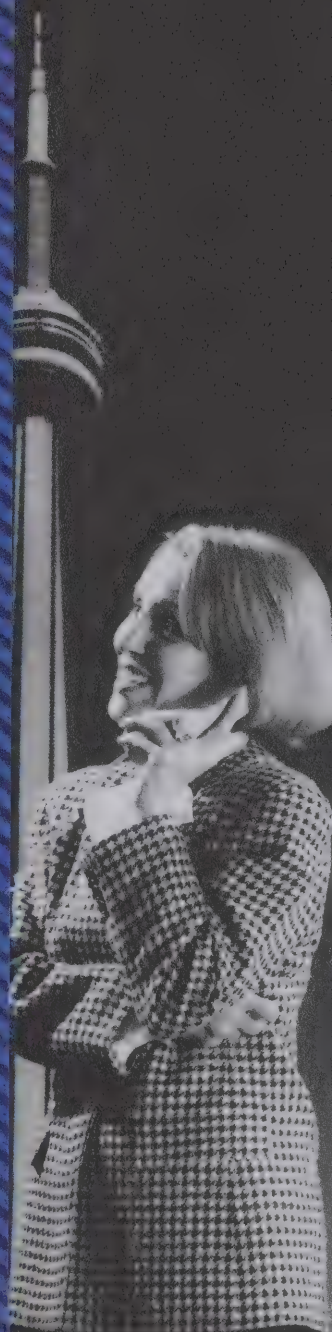


Bell Legacy Concert Series. This year's series benefits the 20,000-member Environmental Youth Alliance, Canada's fastest-growing environmental group. Tour proceeds support EYA's wilderness education awareness project, "Going Wild". Previous Legacy concerts have supported literacy and disadvantaged children.

Bell's discarded telephone directories are put to good use as they are recycled as paper towels. Supermarket chain Loblaw's adds Yellow Pages Jumbo Towels, made from 33% telephone books, to its line of environmentally friendly products.

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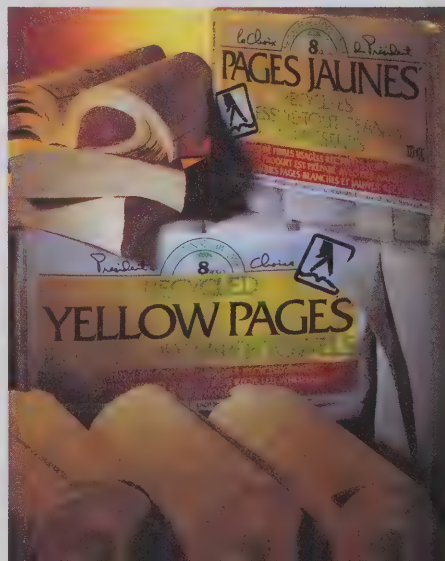
Shrine Clowns Mike Glezos (left) and Steve Gallant



Helping the holiday season, established Bell many participants of employed Clowns to raise Shriner's Home Children; sale mount a financial privileged charity about 50 employees West Island to help the Sun deliver food by Bell people do Sault Ste. Marie Program; employees the Women organize a drive operators collect clothing in C benefit the Salv

INTRODUCTION

Bell continued, in 1991, to respond to customers' needs by introducing and improving a full range of telecommunications products and services.



Bell Legacy Cor series benefits the environmental Youth Tour proceeds support education award "Wild". Previous supported literacy children.

Bell's discarded are put to good use as paper towels Loblaws adds Yellow Towels, made from books, to its line mentally friendly



INTRODUCTION

Bell continued, in 1991, to respond to customers' needs by introducing and improving a full range of telecommunications products and services.

A FINANCIAL STAR

Brokers, analysts and professional investors who use Norstar systems can access instant financial news and information at their fingertips.

Bell Canada has teamed up with Star Data Systems to launch Norstar/Starquote, an information retrieval service providing current facts and figures on the stock and bond market. The service can monitor practically any publicly-traded investment.

Developed by Northern Telecom, the Norstar system also has more conventional features, such as hands free, ring again, call forwarding and three-way conferencing. People requiring vital market information can realize increased cost and time savings through the joint Norstar/Starquote venture.

ANSWERING YOUR CALLS!

Call Answer goes a step beyond the answering machine, allowing single-line business and residence customers to have their calls answered even when their lines are busy.

This is the first in a line of network-based TeleMessage Services which feature voice-activated messaging. The caller hears a recorded personal greeting and is then prompted to leave a message which is stored in the subscriber's voice mailbox for retrieval.

By dialing an access code on any Touch-Tone telephone and using a private password, subscribers access their messages and erase or store them for future reference.

Call Answer can be customized to Bell's existing family of personalized services including Custom Calling Features and Call Management Service. Another service, Family Call Answer, will provide private mailboxes for each family member.

MEGASAVINGS

Business customers subscribing to services offered through Bell's Competitive Business Network received good news in November 1991. The Canadian Radio-television and Telecommunications Commission allowed Bell to reduce prices by up to 13% on inter-

exchange digital private line services.

Megaplan and Dataroute users can look for interexchange rate reductions of 8-13% for private line facilities of 500 kilometres or less, and discounts of 3-7% for more than 500 kilometres.

ALEX BECOMES BETTER CONNECTED

ALEX, Bell's two-way interactive videotex service, has been made even more convenient. An advanced telephone set has been added to the ALEXtel desktop computer terminal, making voice and data integration a reality for ALEX customers.



WATS HAPPENING?



Wide Area Telephone Service, 800 and 800 PLUS business customers could soon have reduced rates and greater service flexibility. The redesign is part of the Bell Vision which will help medium and large business users of long distance service collectively trim some \$900 million from their telecommunications bills over the next five years.

Pending CRTC approval, WATS customers should average 17% savings through price reductions and changes in volume discounts. And 800 Service subscribers will have better access arrangements as well as lower costs through off-

peak discounts and more distance-sensitive rates. 800 PLUS service users will also see major monthly rate reductions.

Canadian companies can also use dedicated WATS lines to make substantial savings when placing large volumes of outward long distance calls to the U.S. Bell's new long distance discount service — Canada and United States WATS Service — joins Teleplus U.S. and Advantage U.S. in offering Canadian businesses a variety of reduced calling rates, depending on call volume.

SET YOUR SIGHTS WITH VISTA

The ultimate in home and office-based phone technology is here! Bell has launched VISTA 100 and VISTA 200, the most advanced residence and single-line business telephones available.

They are designed to support Bell's network of services: Call Management Service, Custom Calling Features and the upcoming TeleMessage Service.

VISTA includes a display screen explaining use of its many features, and shows Call Display subscribers the telephone number of whom-ever is calling. For Call Answer subscribers, a flashing signal on the set indicates that a message is waiting.

The VISTA 100 has six programmable memory keys for dialing frequently called numbers; VISTA 200 features 10 memory keys, a 15-number call logging capacity and a built-in clock for timing long distance calls.

VISTA 100 ►

ADDING A PERSONAL TOUCH



Air traffic controllers test wireless technology in Toronto.

Bell has tested pocket-sized wireless handsets as part of its Personal Communications Service portfolio of services for people who must stay in touch all the time.

Wireless technology is particularly useful for highly mobile business people or when communication within buildings relies on paging or cellular technology.

During 1991, the company conducted eight separate wireless trials at hospitals, air traffic control centres, warehouses, offices and stores.

As well, early in 1992, Bell launched an eight-month trial of Follow-Me and Find-Me, two PCS network services. Participants are assigned a Personal Number, with which they can be reached at home, at the office or anywhere else. The number identifies the person, not a telephone.

FOUR FLEXIBLE PHONE FEATURES

Call Management Service was so popular in its Ottawa/Hull/Québec City introduction that during the year it was offered in many more urban centres including Toronto, Montréal and Trois-Rivières. Residence and single-line business customers can subscribe to the following CMS features for greater choice and flexibility:

Call Display – visually identifies the caller's telephone number on a display screen before the Call Display subscriber picks up the receiver.

A scene from the CMS advertising campaign



A VITAL LINK

Call Return – memorizes a previous incoming or outgoing call on the subscriber's telephone line and redials it. It also scans a busy line for half-an-hour, and alerts the customer when the line is free.

Call Trace – makes it possible to have the originating telephone number of annoyance or threatening calls recorded by Bell should legal action be sought by subscribers.

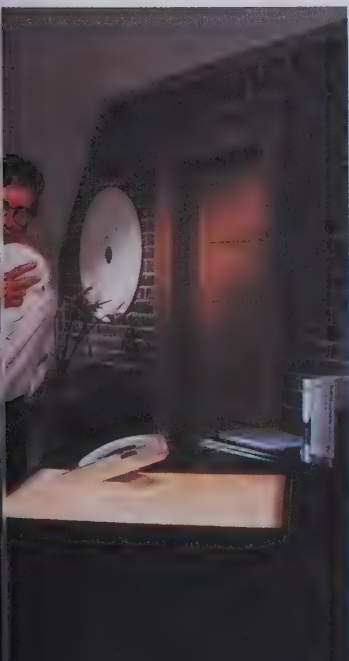
Call Screen – blocks calls by diverting up to 12 telephone numbers to a recorded message and informing callers that the customer is not available to answer calls at that time.

Microlink is a proposed new Bell service providing digital access from users' desktops to virtually all the network services offered by Stentor (formerly Telecom Canada) member companies.

It combines voice, data, image and video communications, sending them over a single line to the high-speed public-switched digital network. Microlink is based on the ISDN, or Integrated Services Digital Network, international standard.

Microlink, Bell's second ISDN-based service, is a vital link in the company's efforts to build a complete digital telecommunications network. Benefits that Microlink offers Centrex and other business customers include: reduced access costs; increased flexibility; more productive workstations; end-to-end digital connectivity; and a wide range of new business applications.

Bell has formed alliances with 11 telecommunications equipment manufacturers and suppliers to jointly market and promote Microlink.



ANOTHER BELL ADVANTAGE

Canadian business customers will be able to take "Advantage" of major savings with Bell's proposed new international discount plan.

Advantage Overseas offers price reductions of up to 30% on large volumes of long distance telephone calls placed overseas. It applies to direct-dial calls made to

nearly 200 countries around the world.

Pending regulatory approval, this discount service will join the Advantage family of services, including Advantage Canada and Advantage U.S., offering substantial discounts varying from 15% to 30% based on calls totalling more than \$200 per month.

MAGICAL BUSINESS SOLUTIONS



StarMagic, a new software application, can assist small business customers of Bell's Norstar telephone system to get a leg up on the competition.

Software developed by TeleMagic Canada enables users of PC's, workstations and lap-tops to answer, hold, transfer or release calls using a computer keyboard.

Automated customer calling is one of many practical business solutions aimed at improving productivity of Norstar key systems users. Call Accounting, Hourglass and Professional Organizer are compatible software programs which have been developed exclusively to assist Bell customers better manage their activities.





Where the dollars came from in 1991

(consolidated) (millions of dollars)

Operations	
Operating revenues	\$7,729
Other sources	
Proceeds from long term debt and preferred shares	568
Proceeds from issue of common shares to parent company	100
Other	194
Total	\$8,591

Where the dollars were spent in 1991

(consolidated) (millions of dollars)

Operations	
Operating expenses ^a	\$4,077
Income taxes (current)	698
Interest charges	544
Gross capital expenditures	2,295
Other uses	
Dividends	807
Repayment of debt	161
Decrease in notes payable and bank advances	9
Total	\$8,591
^a Excluding depreciation expense	



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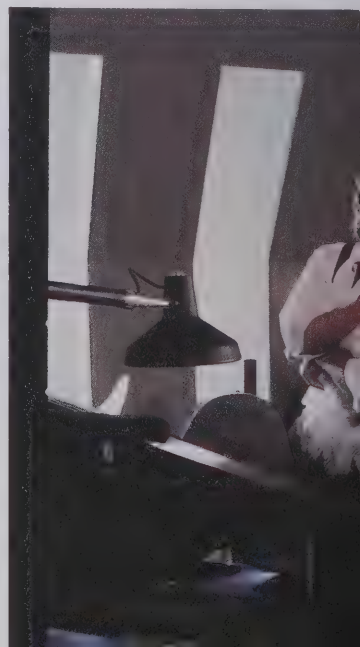
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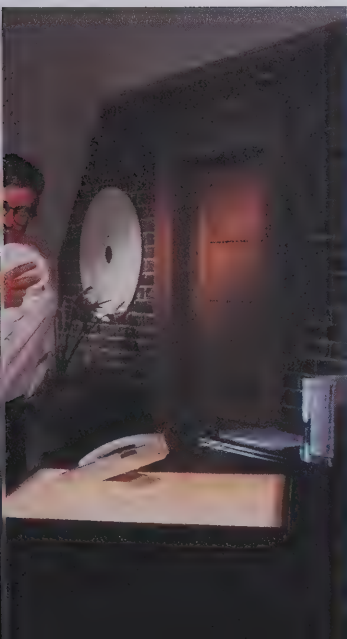


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Call Trace – makes it possible to have the originating telephone number of annoyance or threatening calls recorded by Bell should legal action be sought by subscribers.

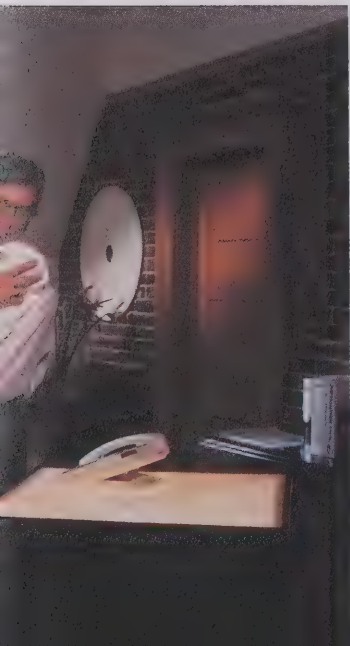
Call Screen – blocks calls by diverting up to 12 telephone numbers to a recorded message and informing callers that the customer is not available to answer calls at that time.

Microlink is a proposed new Bell service providing digital access from users' desktops to virtually all the network services offered by Stentor (formerly Telecom Canada) member companies.

It combines voice, data, image and video communications, sending them over a single line to the high-speed public-switched digital network. Microlink is based on the ISDN, or Integrated Services Digital Network, international standard.

Microlink, Bell's second ISDN-based service, is a vital link in the company's efforts to build a complete digital telecommunications network. Benefits that Microlink offers Centrex and other business customers include: reduced access costs; increased flexibility; more productive workstations; end-to-end digital connectivity; and a wide range of new business applications.

Bell has formed alliances with 11 telecommunications equipment manufacturers and suppliers to jointly market and promote Microlink.



MAKING IT
HAPPEN

INVEST
FOR
ADVANTAGE



Where the dollars came from in 1991

(consolidated) (millions of dollars)

Operations	
Operating revenues	\$7,729
Other sources	
Proceeds from long term debt and preferred shares	568
Proceeds from issue of common shares to parent company	100
Other	194
Total	\$8,591

Where the dollars were spent in 1991

(consolidated) (millions of dollars)

Operations	
Operating expenses	\$4,077
Income taxes (current)	698
Interest charges	544
Gross capital expenditures	2,295
Other uses	
Dividends	807
Repayment of debt	161
Decrease in notes payable and bank advances	9
Total	\$8,591
Excluding depreciation expense	



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How many employees do we have?

53,350

Who we are

Women **27,704**

Men **25,646**

Our average age

about 38

Our average length of service

almost 15 years

Where we work

33,092 in Ontario

20,209 in Québec

49 in the Northwest
Territories

BCE shareholders

At Bell, **45,580** of us
participated in the
Employees' Savings Plan

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tributed nearly
100 to the
Fund for
y Services

Development activities

We spent **225,096** days
in employee training and
development courses

Average number of
training days per employee:
just over **4**

Some of the things we do for the environment

We recycled:

Paper **1,370** tons
Copper
cable **10.5** tons
Motor oil **160,000** litres
Tires **12,000**
Plastic
materials **26** tons
Cardboard **198** tons
Toner cartridges
for laser
printers **948** units

We bought:

4,500 tons of recycled
paper (approximately 50%
of all the paper purchased)

As well, **10,000** tons of
telephone directories were
recycled through municipal
programs in Ontario and
Québec

Our paper, cardboard and
telephone book recycling
efforts helped save close to
200,000 trees!

non-consolidated figures
as of January 23, 1992



Where the dollars came from in 1991 (consolidated) (millions of dollars)

Operations	
Operating revenues	\$7,729
Other sources	
Proceeds from long term debt and preferred shares	568
Proceeds from issue of common shares to parent company	100
Other	194
Total	\$8,591

Where the dollars were spent in 1991 (consolidated) (millions of dollars)

Operations	
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MAKING IT
HAPPEN

INVEST
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ADVANTAGE



Where the dollars came from in 1991

(consolidated)	(millions of dollars)
Operations	
Operating revenues	\$7,729
Other sources	
Proceeds from long term debt and preferred shares	368
Proceeds from issue of common shares to parent company	100
Other	194
Total	\$8,591

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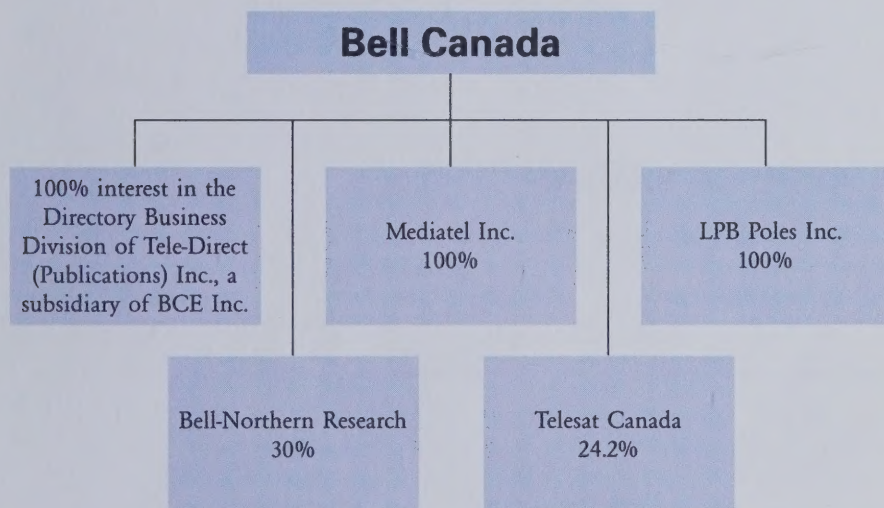


KEY FACTS AND FIGURES 1991/1992

CORPORATE PROFILE

Bell Canada, a subsidiary of BCE Inc., is the largest Canadian supplier of telecommunications services. Bell Canada owns and operates a public switched network for voice, data and image communications to nearly seven million customers in the provinces of Ontario and Québec and in the Northwest Territories. The corporation is federally regulated by the Canadian Radio-television and Telecommunications Commission.

SUBSIDIARIES AND ASSOCIATED COMPANIES



FINANCIAL AND OTHER DATA

(dollars in millions)

(Consolidated)	1991	1990	1991	1990
Financial data			Other statistics	
Total operating revenues	\$7,729.0	\$7,654.7	Network access services* (thousands) as at December 31	9,024.5 8,798.2
Operating expenses	5,555.7	5,610.5	MTS messages (millions)	1,757.6 1,702.3
Net revenues	2,173.3	2,044.2	Number of employees	54,632 56,530
Income taxes	662.8	606.7		
Net income	986.0	965.7		
Per cent return on average common equity for regulatory purposes	12.9%	13.2%		

* Approximates lines in service

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ALEX
ALEXTEL
CALL ANSWER
DATAROUTE
DATRIX
FIND-ME
FOLLOW-ME
MEGAPLAN
MICROLINK
TÉLÉBOUTIQUE
TELEMESSAGE
TELEPLUS
TOUCH-TONE
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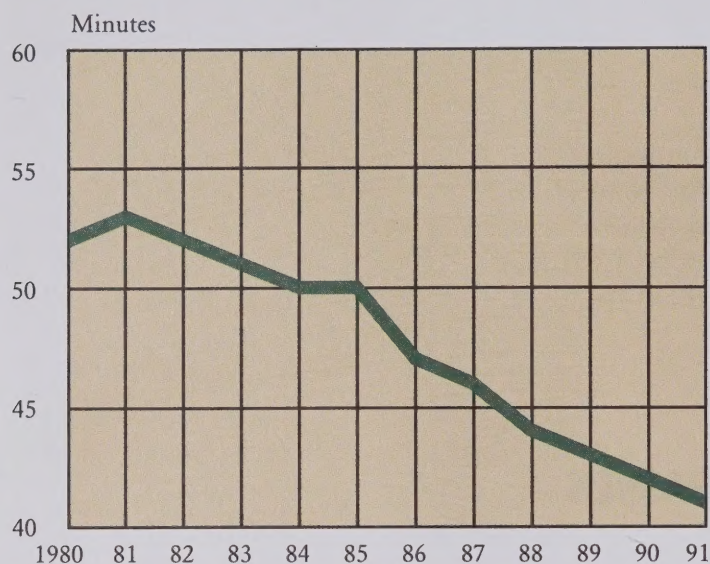
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THE REAL COST OF BASIC LOCAL RESIDENCE TELEPHONE SERVICE* (24 BELL CANADA CITIES)

Minutes of work required to pay for one month's individual residence service**

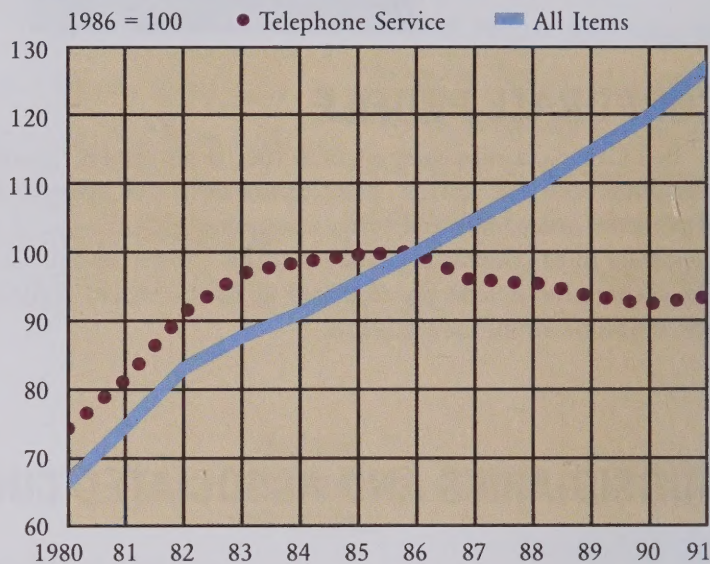


*Figures for January

**For the average manufacturing worker, includes phone rental. Based on provincial manufacturing wage rates for Ontario & Québec

SOURCE: Statistics Canada, Catalogue 72-002 CRTC General Tariff 6716

Telephone service price index* versus the Consumer Price index (CPI) (all items)



*Unweighted average of Ontario and Québec – includes local and toll residence service

SOURCE: Statistics Canada; Bell Canada Corporate Rates Group

COMPARISON OF RATES IN SOME CANADIAN CITIES

(January 1, 1992)

City	Number of main telephones, lines, or numbers (000) [¶]	Individual residence service (monthly)	Individual business service (monthly)	City	Number of main telephones, lines, or numbers (000) [¶]	Individual residence service (monthly)	Individual business service (monthly)
Toronto	2,228	\$12.60*	\$44.70*	Victoria	176	10.35*	32.40*
Montréal	1,833	12.60*	44.70*	Regina†	129	8.85*	23.05*
Vancouver	947	13.60¥	48.25¥	Sherbrooke	115	8.75*	29.10*
Ottawa/Hull	658	9.60*	34.95*	St. John's (Nfld.)	100	11.65*	39.50*
Winnipeg†	522	11.35■	29.65■	Kingston	92	8.75*	29.10*
Calgary†	438	12.18*	29.88*	Moncton	81	10.75*	34.70\$
Québec	410	9.15*	32.10*	St. John (N.B.)	74	10.75*	34.70\$
Edmonton†	391	14.25‡	34.80‡	Drummondville	40	8.00*	25.55*
Halifax	234	14.60*	48.15*	Charlottetown	40	\$11.80*	\$38.75*
London	228	9.15*	32.10*				

¶ Number of telephones (unweighted) that can be reached by a local call.

† Provincially or municipally owned systems with differing financial structures. These systems do not pay corporation income taxes and certain other taxes.

■ Access line charge includes telephone company-provided set.

‡ Access line charge includes telephone company-provided set and touch tone service.

* Access line charge only. Additional rates apply for telephone company-provided sets and touch tone.

¥ Access line charge only. Additional rates apply for telephone company-provided sets which require touch tone service.

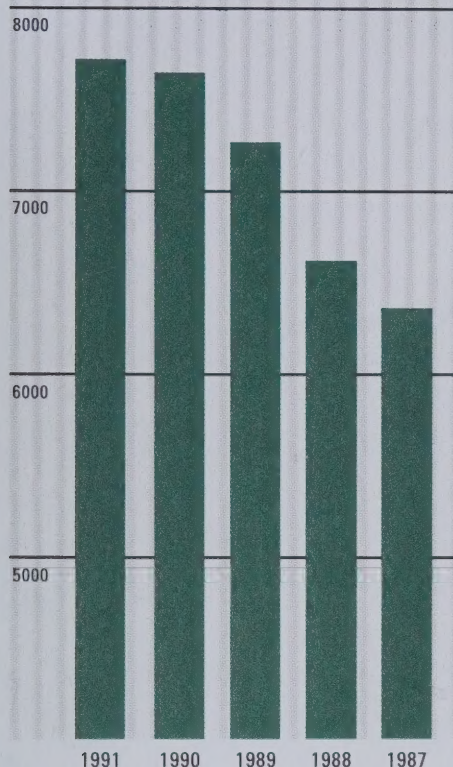
\$ Access line charge includes touch tone. Additional rates apply for telephone company-provided sets.

CUSTOMER ATTITUDES TOWARD BELL CANADA*

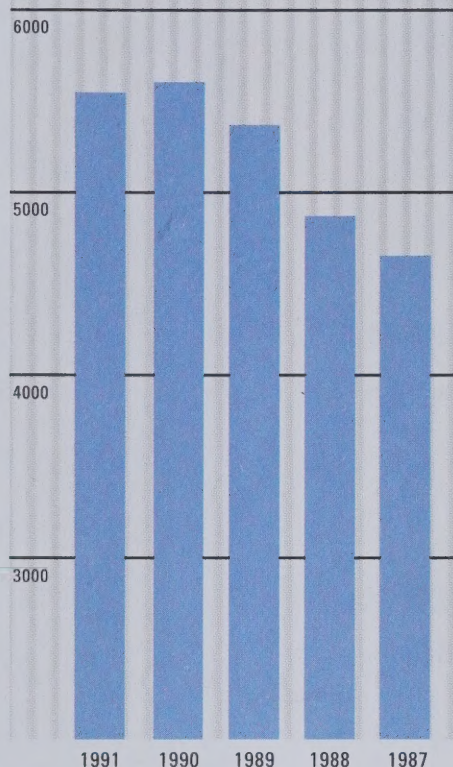
Residence customers			Business customers			Residence customers			Business customers		
Overall quality of service						Cost of long distance					
Satisfied		96%			92%	Reasonable		77%			73%
Dissatisfied		4%			8%	Unreasonable		23%			27%
Cost of basic service						General attitude toward Bell					
Reasonable		81%			75%	Favorable		87%			81%
Unreasonable		19%			25%	Unfavorable		13%			19%

* Results are from the Customer Attitude Survey conducted in June 1991.

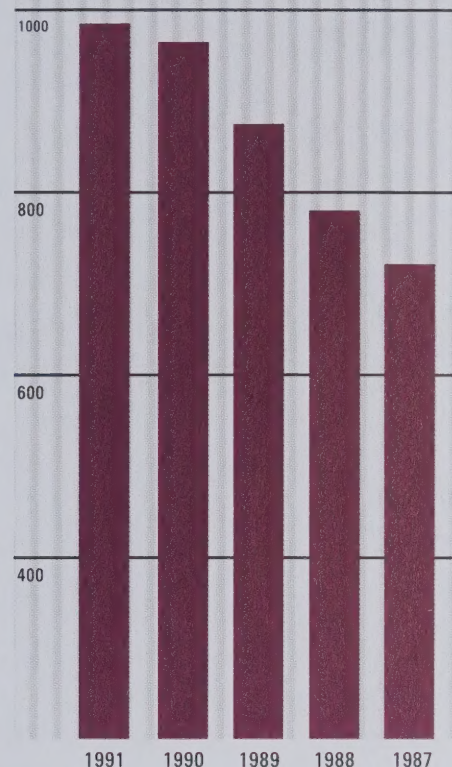
**Total
operating
revenues**
(dollars in millions)



**Total
operating
expenses**
(dollars in millions)



**Net
income**
(dollars in millions)



**SOME FIGURES TO SHOW YOU
HOW WE'VE DONE OVER
THE PAST FIVE YEARS**

(dollars in millions)

(consolidated)	1991	1990	1989	1988	1987
* Total operating revenues	\$ 7,729.0	\$ 7,654.7	\$ 7,272.9	\$ 6,623.6	\$ 6,372.1
* Total operating expenses	5,555.7	5,610.5	5,381.4	4,874.8	4,664.6
* Net income	986.0	965.7	875.1	780.3	722.2
Dividends declared	806.7	773.5	712.4	641.2	574.6
Total assets*	17,162.5	16,605.0	15,698.7	14,678.3	13,644.4
Long term debt*					
(including current portion)	5,447.8	5,185.6	4,880.5	4,499.2	4,434.1
Gross capital expenditures	2,295.2	2,343.4	2,330.9	2,200.2	1,991.3
Salary and wage payments	\$ 2,457.6	\$ 2,447.2	\$ 2,338.3	\$ 2,074.0	\$ 1,983.4
Network access services (thousands)*					
Residence	6,508.1	6,373.0	6,204.0	5,973.5	5,810.0
Business	2,516.4	2,425.2	2,299.6	2,118.8	1,951.1
Total	9,024.5	8,798.2	8,503.6	8,092.3	7,761.1
MTS messages (millions)	1,757.6	1,702.3	1,586.5	1,382.4	1,192.0

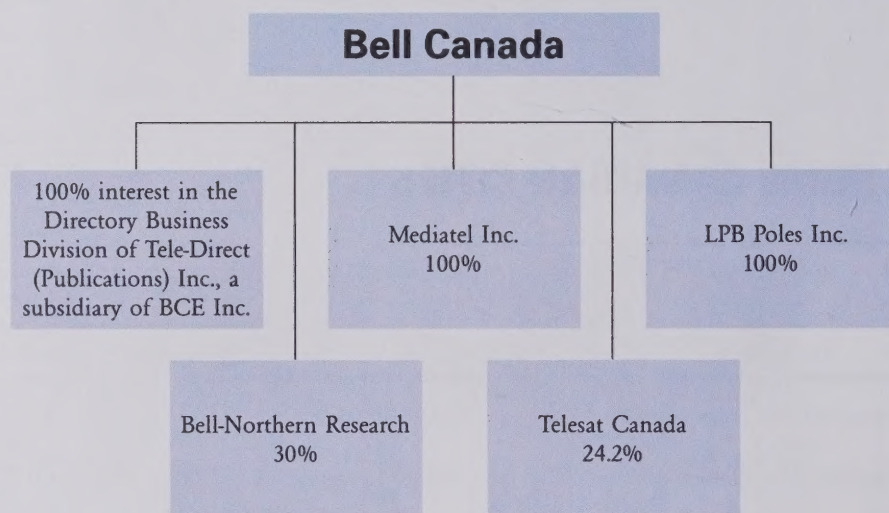
* As at December 31

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